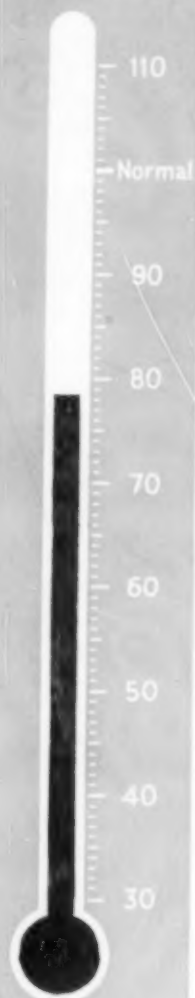


MAY 4 1931

MAY 6, 1931

THE BUSINESS WEEK

BUSINESS INDICATOR



The persistently static condition of business contrasts with continued declines in commodity and security markets Our index, at 78.8% of normal, still lingers around the levels of the beginning of the year, with slight fluctuations of no significance The decline in steel activity seems to have slackened slightly this week, but the seasonal drop from March has been a bit sharper than usual, and prices continue to weaken. Building is not holding up well, but there is still some slight encouragement in the residential field Carloadings, especially in merchandise and miscellaneous commodities, have made a better showing this week and support other indications of slightly quickened trade activity. But there is still no sign on the horizon of any large-scale action from any source sufficiently strong to offset the certainty of a stagnant summer. National business meetings promise no program Federal Reserve pressure on short-term money rates seems to be correcting international exchange maladjustments. But it is doubtful whether a discount rate cut even below the current lowest level on record would break the deadlock in long-term capital markets without vigorous direct action through large-scale security purchases by the Reserve banks They will probably be driven to it before the Fall dispels the illusion of automatic recovery.

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Bus. Adm.

What's In This Issue —And Why

Consultation

THE United States Chamber of Commerce, in convention assembled, diagnoses the situation and discusses remedies. (page 2)

Red Hot Sermon

MR. WHITNEY of the Stock Exchange speaks his mind on stock practices; such unorthodox outspokenness from the presidential pulpit startles the congregation. (page 19)

Finance

UNNERVED by two more failures, the stock market trembled to new low levels; bonds also sagged; this in spite of low money and the possibility of discount rate cuts. (page 19)

To Pay, or Not to Pay—

NEWSPAPER publishers, pinched by the times, think radio should pay its way in their pages; radio claims programs are news. (page 11)

First Down

CYRUS EATON won his victory, lost his control, but at 47 he is hardly out. Meanwhile Continental Shares marches under new banners. (page 6)

Farm Machinery

THE present combination of Allis-Chalmers and Advance-Rumely is a signboard to the future: big companies will grow by their very bigness, little ones by their adaptability. (page 22)

Break in the Bin

THE resignation of the North Dakota-Montana Wheat Growers from the Farmer's National is the first organized objection, from within, to the Farm Board's program. (page 24)

Professional Liability

Is a public accountant liable, if a company fails to live up to its certified condition? The Ultra-

mares-Touche, Niven case opened up interesting possibilities in responsibility. (page 28)

Rocky Road

Nobody is winning in the Rocky Mountain sector of the truck-rail battle. (page 30)

Air Cooled

SEIBERLING's new tire with air tunnels in the tread which dissipate the heat, provide anti-skid markings through the life of the tire, gives him something new to sell. (page 31)

Up and Up

THE automobile industry continues confident of general business improvement, prepares to take advantage of a slow but sure up-curve. (page 31)

Price Phoenix

THE Capper-Kelly Bill, cremated in the last Congress, will be back in the next with new statistical plumage. (page 10)

Sales Aid

GENERAL Foods overcomes the last dealer objection to frosted foods by contracting with Commercial Credit for deferred payments on refrigerated cabinets. (page 9)

Good Example

BRITISH railroads have had store-door delivery for years; American roads, faced with the same problem, may benefit by their experience. (page 21)

Shooting the Works

BRITAIN bets on better times, postpones her budgetary troubles until then. (page 10)

Long Way 'Round

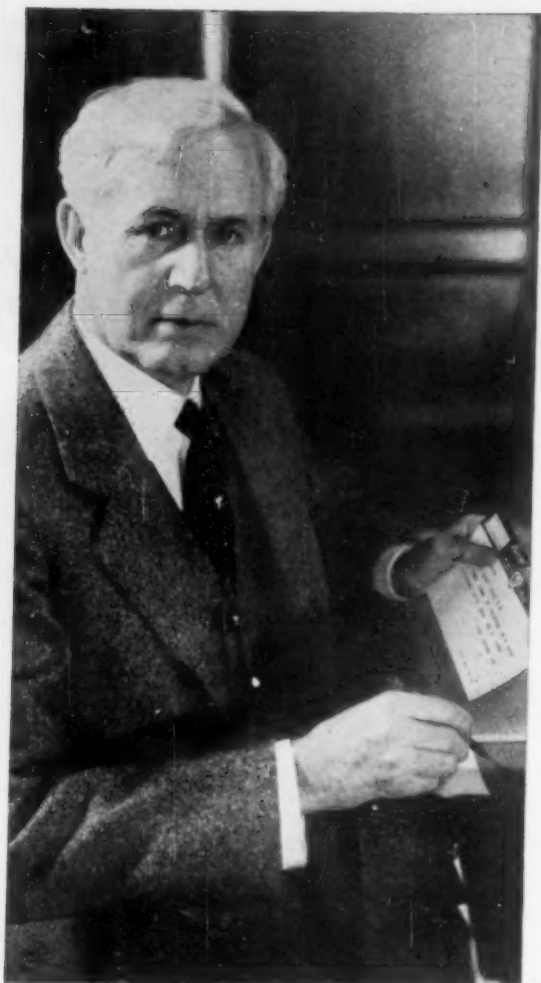
AUSTRIA and Hungary find a path through the commercial treaty maze which may be the shortest way to a Central European economic alliance. (page 38)

Held Over

THERE are 4 good reasons why the railroads are sidetracking wage cuts. (page 11)

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Mackay Radio

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending May 2, 1931

Business Leaders Look For Leadership at Atlantic City

U. S. Chamber of Commerce discusses the theory of stabilization, the facts of the depression

ATLANTIC CITY (*Special Correspondence*)—The atmosphere of the 19th annual convention of the U. S. Chamber of Commerce this week, at least in its early sessions and in its lobby talk, was very different from any in recent years. The voice of American business as it issued from this great gathering did not sound quite the same as it used to. It was somehow slightly subdued, a bit husky, a trifle nervous.

Forest fires back of Atlantic City left the usual sunshine pale and thin. Over the convention, too, there was a cloud. Its usual sunshine was somewhat thin. It did not march its program so surely, and in its meeting halls there echoed an undertone from outside which no speech could entirely drown.

An Empty Chair

Senator Couzens, a member, was not there, but the audience somehow seemed to be expecting him. Knowing in advance that a large part of the discussion would be devoted to condemning or deprecating governmental action to deal with depression and unemployment, he had challenged the Chamber to produce a plan of action of its own. The public and Congress, he said, were willing to have government keep its hands off if organized business would suggest something instead. Many of the pilgrims to the seashore seemed subconsciously to be hoping for the same thing.

Several thousand business men and business organization executives came to it hoping for guidance, counsel, and so far as possible, some cheering suggestion as to how leadership could lead and where to.

The keynote addresses were formally apologetic and optimistic, but much more mildly so than usual. President Butterworth dwelt on the "internal maladjustments" that would have to be corrected, and on the "complex problems" that business faced, but said that

it had met the test and was going forward. He emphasized that the Chamber was not hostile to new ideas and would welcome any, but that it had not yet heard of any that would be effective.

The most competent and impressive of the keynote speakers, Secretary Lamont, though defending in detail the government's estimates, admitted the seriousness of unemployment and said some harsh things about it. "Unemployed labor implies unemployed capital," and "the problem cannot be solved by refusing to recognize its existence."

Doctrine Amended

For the first time an administration official characterized this as "one of the most severe depressions in our business history." More surprising, he repudiated fairly, explicitly the heretofore official doctrine that it was due to general over-production. Business was not over-prosperous before 1929; the output of industry was being fairly well absorbed, and inventories were not large. The "surplus" was due to the depression; the depression was not due to the surplus.

However, just as unemployment was not a serious problem before the depression, it will tend to disappear on business recovery. Technological unemployment is not real or permanent. New industries will absorb the labor released by improved processes. Time and the slow working of economic readjustments will bring recovery.

No One Remedy

If there was over-production, it is being corrected. If prices were artificially maintained too high, they also are being corrected and, perhaps, in some cases, the correction has gone too far. But there is no single feasible scheme of action by government or by industry that could bring recovery. Favorable

crops are perhaps the most promising portent of improvement.

Thus ran the views of Mr. Lamont, as expressed in his keynote speech.

Except for the solitary insistence of the former Chamber president, Harry Wheeler, who suggested that the rich ought to spend more on luxuries, the "Buy Now" idea seems to have faded out so far as business opinion at this convention is concerned. There appeared to be increasing doubt as to what buyers should use for money.

"Stabilization Night"

A whole evening was devoted to the discussion of the word "stabilization," and to an exploration of the possibilities of approaching the problem theoretically, on the production side, on the marketing side, and in its "general aspects." The idea of stabilization was dissected by the academic scalpel of Prof. Wesley Mitchell of Columbia University, who concluded that there probably was no such thing, and that it couldn't be done anyway without preparations to commence further study of the problem, which was very complex and many-sided.

The few economists at this meeting gave the business men very little encouragement. Prof. T. S. Adams of Yale left them with this cruel thought: "There is no likelihood of a sustained advance in security prices during the next 5 years. We are in for a long, hard grind, at best. And there is no reason to expect a fall in the general purchasing power of money—rather the reverse. I should not be surprised to see a long period of falling prices such as occurred in this country from 1873 to 1896."

Spartan Counsel

The one banker who subjected the idea of stabilization to examination, Rome A. Stephenson, president of the American Bankers' Association, saw nothing in it but a return to the old virtues of hard work, thrift and plain living. The depression was due to over-expansion, over-production, over-spending, and false and inflated standards of living. All this must be paid for, by getting everything down to where we started. Governmental effort would only retard the process and weaken individual self-reliance and voluntary self-help. These latter remedies were frequently

mentioned but not very much applauded.

Despite these discouragements and Spartan counsels, some of the more restless business minds present were not deterred from discussing the possibilities of government policies which must improve matters a bit more promptly, and of government action which might offset the danger of questionable governmental policy. Unemployment insurance came in for its share of formal condemnation, but there were some, like Edward Filene of Boston, who dared to say there were worse things and pointed to the handwriting on the wall as a warning that business might suffer them if it did not act vigorously and courageously to deal with the unemployment problem itself. Not only in this but in other discussions the fear of increasing social legislation hung over the convention like a cloud.

Association Talk

Special emphasis was put throughout the meeting upon the possibilities of more effective trade association action to promote stabilization. Possible revisions of the anti-trust laws in this connection, particularly in the natural resource industries, were widely discussed, but with considerable skepticism and caution. The price to be paid for such liberalization of governmental policy, in terms of closer supervision of industry, seems to

be clearly realized. And there was a tendency to put more faith in the potentialities of strengthening the trade association movement along other lines.

What may come out of the resolutions of the convention remains to be seen at this writing, but the high spot of the meeting from the point of view of its real inspiration to American business, was the simple, unassuming description by one business man of what he was actually doing, in his own way, to solve some of the perplexing problems which the Chamber had come together to consider.

Don't Have to Wait

R. R. Deupree, president of the Procter & Gamble Co. of Cincinnati, said that he found the "theories and generalities" about these matters very perplexing, but his company had nevertheless found a way to guarantee employment to its workers, and told how. "Like anything else," he said, "once you have set an objective for yourself; once you take the position that you are going to do something, it is very human that you should try to make the most of it; and we soon discovered that in order to plan properly for continuous employment, it meant that we had to know our business better than we had ever known it before. . . . While it may be necessary for Congress to change some of its laws, I don't think we have to wait for that."

Cyrus Eaton Lost a War While Winning a Battle

The peace of the mighty descends on the field of Youngstown as new leaders confer at Cleveland

CYRUS STEPHEN EATON steps down. Surrender of his chairmanship of Continental Shares, Inc., holding company through which the Cleveland exercised his puissance, elicits ink and oral gossip which inevitably deplores his career as "meteoric." Perhaps a better simile is "cometary"—for comets come back.

This is the first time Mr. Eaton has been knocked out. He is only 47 years old. Much depends on the strength of his chin and the future attitude of old friends. Maybe the banks are allowing him to accumulate a few bruises for the good of his soul. Mr. Eaton has incited trouble, has caused financial fisticuffs, has encouraged the heaving of corporate cobblestones. And such vul-

gar tumult fills the banker's heart with loathing.

On the heels of the withdrawal from Continental Shares, come indications that the peace of the mighty is about to descend on Mr. Eaton's favorite battlefield. After blocking by injunction the original Bethlehem Steel-Youngstown Sheet & Tube merger, he and associated rebels are re-elected to the board of Youngstown by the pro-merger majority. This thing could hardly have happened if the insurgents remained adamant against compromise. Faces are probably in the process of being saved. The whirr of dove wings may be detected.

Through it all Mr. Eaton maintains a discreet and admirable silence. His



The Business Week

CYRUS S. EATON—He kept control from Bethlehem, lost it himself

injunction only scotches the merger under the original provisions. (A swap of $1\frac{1}{2}$ shares of Bethlehem for 1 Youngstown.) Much tape has flowed through the tickers since then. Youngstown has sagged dolorously from its former \$150 quotation. Since the merger fight minority stockholders have suffered a loss of some \$27 millions in the market value of their holdings, and the majority \$81 millions.

The majority has appealed against the injunction. Pending also is a minority court action demanding \$250 a share for Youngstown—a figure somewhat amusing when placed against contemporary quotations for the stock. The injunction does not prevent the merger on a new basis, and a revised basis becomes inevitable. The deal must be oriented to the new market. Under the present dispensation all things are possible—even the acquisition by Bethlehem of Republic Steel, independent group articulated by Eaton.

Cleveland Takes Over

The bulk of the recalcitrant Youngstown stock (62,796 shares) rests in the Continental Shares portfolio. Though out of the chairmanship, Mr. Eaton retains a large block of Continental Shares, perhaps a fourth. It is said to be all tied up with restrictions. Control probably is at large. By request of New York bankers Eaton directors were replaced with officers

of Cleveland's 4 largest banks. Abdication from Continental must have been a painful wrench for Mr. Eaton. He begat the corporation 5 years ago and it functioned valiantly in building what was at one time a \$100-million fortune.

While He Won, He Lost

While Mr. Eaton was winning victories in his fight against the Bethlehem-Youngstown merger last year, control of Continental was slipping from him. He got his injunction. Also the Ohio legislature passed a law designed to force payment of dividend accruals of a million and a half dollars withheld from the obstreperous stockholders under an old law which also disfranchised the dissenters. (An error in this bill, possibly engineered, discovered after it was signed, may make necessary the introduction of another measure.)

While these wins were being celebrated, erosion by the falling market was doing serious things to Conti-

mental holdings. There wasn't any dark and deep plot to undo Mr. Eaton. If no move had been made against him, slumps in values of stocks held by Continental would have washed him out. The declines of last summer were not recovered. A direct result was 6 suits against Mr. Eaton. If he had not relinquished control, a seventh suit designed to conserve the resources of Continental Shares would have been filed this week. The crisis was brought on by loss of confidence in Continental due to the court actions and to the decline in the value of Continental securities put up as collateral for loans.

With Eaton out and banker control in, there appears an entirely new attitude of Continental Shares toward the different industries in which it has vast holdings. The company probably will become more of an investment trust, as against its former employment by Mr. Eaton as a powerful weapon for promotion and consolidation. Continental's creator designed it to take an aggressive interest in great basic activities—public utilities, steel, ore, rubber, banks.

Hulswit Returns

Continental last year increased its holdings in: United Light & Power (which has re-elected to its board Frank T. Hulswit who resigned as president at about the time Eaton companies became actively interested in its stock); in the Cliffs Corp. (ore company necessary to the set-up of any large new steel combination); Firestone Tire & Rubber Co.; B. F. Goodrich Co.; Goodyear Tire & Rubber Co.; United States Rubber Co.; in banks mainly located throughout Ohio.

The Eaton retreat also brought changes to Otis & Co., oldest and largest Cleveland securities trading concern, in which he was the principal partner. The brokerage (but not the investment) business of the company was transferred to E. A. Pierce & Co., of New York. After auditing Otis' books, Pierce & Co. decided that the acquisition was very much worth while, especially since Otis functioned in cities without Pierce representation.

Gave Eaton His Start

The retiring president of Continental Shares is W. R. Burwell, former Rhodes scholar, a nephew of Mr. Eaton. His place is taken by George T. Bishop, Cleveland and New York utility executive and director in Van Sweringen railroads, the only point of contact between the two financial groups. This is the same quiet, reserved Mr. Bishop

who 25 years ago gave Eaton his start. The Bishop estate is close to that of Eaton in the Cuyahoga valley and they are still good friends. Mr. Bishop is in the middle sixties, of medium height, solidly built from the ground up. He comes out of a semi-retirement (half business executive and half gentleman farmer) to head Continental Shares. He does not share Mr. Eaton's passion for fine saddle horses, but he has always had a sort of fatherly interest in the other's spectacular business activities.

Operator to Investor

Mr. Bishop laid the foundation for a sizeable fortune by recognizing early the possibility of electric traction and power companies. From an operator he developed by logical stages into an investor. Young Eaton, once a divinity student, came to Cleveland from Pughwash, N. S., with ability, ambition and a franchise for a small gas plant. Eaton's father-in-law took him and his franchise to Bishop.

The youngster was given desk room in the Bishop offices. Later he was despatched to Canada to corral public service franchises but got nowhere because the districts visited were suffering with a violent epidemic of public ownership. Next he was sent by Bishop to Gage County, Ia., where he herded together certain electric light franchises. Eaton descended on Wall Street but bankers there were unable to float the bonds.

Joined Otis in 1915

At Bishop's suggestion Eaton sought out Charles Otis of Otis & Co., good, solid, Cleveland brokerage house. Otis liked the franchises, and Eaton. He floated the issue and by 1915 Eaton was an Otis partner. He had decided that the United States was to be his field and applied for citizenship in 1913. Otis & Co. handled the Eaton issues, which gradually grew in size and diversity. His first big deal was the power plant at Columbus, Ohio, which he acquired by the unheard of device of offering a price several notches above the market.

From public utilities Eaton companies reached out into steel and other fields. Refinancing of the Trumbull Steel Co., of Warren, O., was his first venture in that industry. When one stockholder questioned his ability to pull the corporation out of its difficulties he suggested quietly that the skeptic call the Cleveland Trust Co. and ask if the Eaton signature wasn't worth \$20 millions. That may not be true today but it is probable that the Eaton fortune is still large enough to satisfy the desires of most men.



GEORGE T. BISHOP—The new president of Continental Shares is a neighbor of the ex-chairman

Motor Industry Expects Pickup To Offset Effect of Slow Start

**Contrary to 1930 experience, conditions this year
favor rising sales curve expected by manufacturers**

THE automobile industry is not so pessimistic about its immediate future as its production totals might warrant its being. Although first-quarter output was only 670,000 vehicles—30% below that for the same period last year, making this the lowest first quarter since 1922—many keen observers of the industry still believe that total 1931 output will be at least as good as the 3.4 millions produced in 1930.

It Looks Normal

They point out that 1930 was an unusual year; that production got off to a good start but then petered out as the year advanced. Normally about 55% of the annual total is produced during the first 6 months; last year 64% of the total was built by July 1. On a normal basis, production of last year's total of 3.4 million vehicles would have called for an output of about 1.8 millions during the first 6 months. This year, with first-quarter output nearly 700,000 and second quarter estimated at about 1 million, the half-year total will come close to normal expectancy for a $3\frac{1}{2}$ million-car year.

This year, too, conditions favor increasing proportionate sales as the year advances, contrary to 1930 experience. While few automotive executives expect a sudden burst of business activity until 1932 at least, they do look for a slow but sure gain throughout the year and expect this to be reflected in car sales. In addition, they point out that never before in its history has the industry been in such a favorable position to cash in immediately on any increased demand for motor vehicles.

Real Production Control

During the last 18 months manufacturers have kept production schedules closely related to sales. As a result, dealer and distributor stocks of new cars are at the minimum required for display purposes. Likewise because decline in new car sales has decreased the acquisition rate of used cars by dealers and because, in absence of new car prospects, dealers have concentrated on selling used cars, these stocks also are the lowest in many years. In fact, there are reliable reports of shortages of good used cars in many localities, particularly

for models of the last year or two. These apparently are still being operated by their original buyers.

During April there have been many evidences of an aroused consumer-demand, which is expected to carry over into the summer and early fall months. Chevrolet plants are working full time, many departments working day and night. Marmon has added a night shift. Incomplete registration figures for March indicate that at least 6 cars—Auburn, Buick, Cadillac, Oldsmobile, Pontiac, and Cord—are beating 1930 sales records. Chrysler, Dodge, Chevrolet, Studebaker, Nash sales were almost equal to those of March last year.

Appetite Tempters

At the first sign of awakening public interest a number of manufacturers will offer new models to tempt the fresh appetites; some makers will not wait for new signs but will introduce new models anyway. The industry is far from being united in favor of the uniform model announcement date plan sponsored by the National Automobile

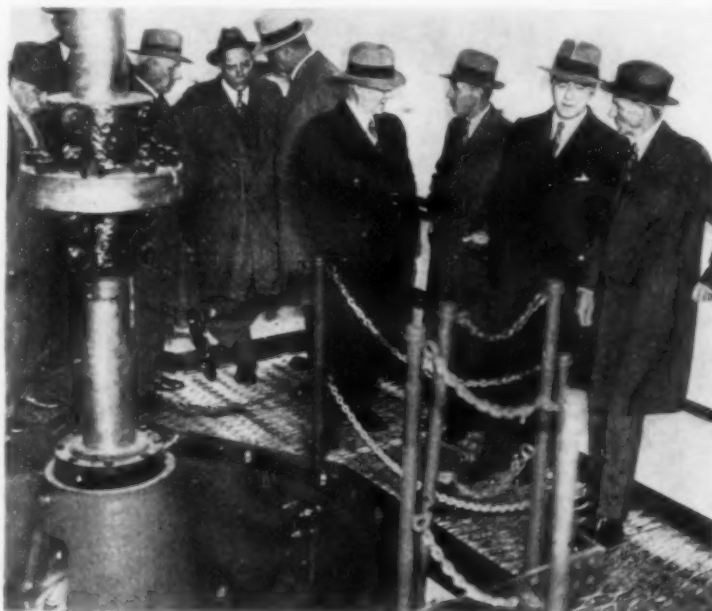
Chamber of Commerce, by which all new models are to be announced in November or December.

Makers who have models which are selling well now will probably go through the year without change; many others, however, are seriously contemplating design changes, some have them virtually ready for announcement. The N.A.C.C. plan permits these out-of-season announcements because it refers only to annual changes in a standard model. The manufacturer alone is the judge as to whether his new car rates as a brand new design or only as an improved model.

Export Troubles

Troubles with export business still bother the industry; have been aggravated by the new Canadian tariffs. Independent makers who have had to reconstruct their Canadian sales policies to meet the prohibitive import duties claim, offer evidence to prove that the new tariff was sponsored by some of the largest American automobile producers who had Canadian assembly plants. Independents charge that this same influence has been at work to raise tariff barriers against direct American car importations in other countries where the proponents of the measures are protected with assembly plants.

In the Canadian case little can be done about it except to meet the onerous conditions imposed. Thus Reo, Hupp, and Nash have acquired manu-



International News

PRIVATE AQUEDUCT—Henry Ford, Mayor Murphy, and Edsel Ford (right to left) and Detroit officials inspect the 2-mile tube which carries water (enough for 4 Detroits) from the Detroit River to the River Rouge plant



International News

CROSS MARKS SPOT—James G. Ray, autogyro pilot, drops in on President Hoover to watch the award of the Collier Trophy to Harold F. Pitcairn for his work in developing the craft. The "cross" is the rotary wing

facturing facilities across the border. Hudson, Packard and Graham are still undecided as to what steps to take although it is reported that despite the new tariff, sales of Hudson products in Canada continue to exceed sales of some competitive makes assembled in the Dominion.

Seiberling Offers New Tire to Promote Sales

IN an effort to lend a new incentive to tire buying, now in the doldrums because of excessive production, Seiberling Rubber Co. (Akron, O.) has placed on the market a new tire of unique design involving a new principle of manufacture, thus offering more than price cutting in the competitive race.

The patented features of the new design include a series of transverse air tunnels spaced about 1 inch apart, placed alternately at 2 different levels and running right through the solid rubber tread from side to side. When in service, air is forced out of and flows back through those tunnels with each revolution of the wheel. This air cooling is designed to dissipate much of the heat which serves to deteriorate the rubber and, in the past, has limited the thickness of the tread rubber.

In addition, gradual wear of the new Seiberling tread will eventually "open" those two levels of tunnels, one after

the other, transferring them into a series of transverse grooves which should serve to extend the non-skid life of the tire. Actual road tests have produced remarkable records of both anti-skid as well as total mileage.

Following the example of other executives who have "hit the rails" in recent months to get business, Frank A. Seiberling (for 23 years president of Goodyear Tire & Rubber Co.) has travelled the country over to convince independent tire dealers that, with a new product, they have a better chance to keep their customers, regardless of chain store, mail order or oil station competition. Only independents are to be put on the list.

Financing of Equipment Solves Frozen Foods Sales Problem

A CONTRACT just concluded between Commercial Credit Co. (Baltimore) and General Foods Corp. represents an important step in the development of distribution and marketing facilities for quick-frozen foods.

It provides for financing retailers' purchases of low-temperature display and storage cabinets for quick-frozen foods on a deferred payment basis. Design and construction details of all

Textile Concern Profits By Sales Forecasting

UNDER the stress of highly competitive conditions, aggravated by excessive production capacity in the textile industry, Botany Worsted Mills, Passaic, N. J., has developed a method of forecasting its production needs or actual sales.

The method, described by *Textile World*, is based on a coordination of its sales, production, and price records with such important indices as those covering wool activity and consumption, wholesale prices, piece goods sales, and Snyder's index of trade volume. Result is a forecasting formula of unusual accuracy.

Close Figuring

First forecast of sales made by the new formula was for September, 1929. It proved 24% too high. That for October was 9% too low. November's was only 4% low. December's came within 0.08% of the company's actual sales.

Adjustments of procedure have been made, are still in progress to refine the process, increase the accuracy and resulting value of the forecast. However, over a period of 17 months, and in spite of some substantial fluctuations, the forecast estimates averaged only 0.0213% over actual sales.

The company's studies have disclosed interesting facts. For instance, it showed that Botany sales have followed general trends excepting that they dropped off later and turned up ahead of those of the industry as a whole. It also brought out the fact that price increases on materials for women's wear, effective in one month, inevitably brought increased sales during the next month, but on men's wear materials in 16 out of 24 charted instances a price increase was followed by declining sales.

equipment must meet rigid specifications approved by Birdseye Packing Co., General Foods' frozen foods subsidiary.

Terms extended to retailers probably will involve a minimum down payment of 25%, minimum monthly payments of \$50. Length of term will vary according to size of contract but will not run beyond 3 years.

When only a few items of quick-frozen fish and meats were available,



PORTRAIT MACHINE—The PhotoReflex permits sittings without a photographer; what the subject sees in the mirror the camera gets. It is the invention of L. G. Simjian, director of the photographic laboratory of the Yale School of Medicine. Wanamaker's is first to install it, prices run from \$18 to \$75 a dozen, according to size and finish

retailers argued that the potential sales and profits did not warrant the required investment in special equipment. Now General Foods' line alone includes over 80 items, and several other manufacturers are in the field.

Dealers also contended that prices on low-temperature equipment and cost of operation were prohibitive. However, the growing rivalry among important manufacturers of mechanical refrigerators is rapidly changing that condition. Certain display and storage cabinets are at present obtainable at a price no higher, even less, than that charged for a first-class grocer's ice box.

Last Obstacle Overcome

Now, the new deferred payment plan meets the dealers' last objection to making the investment.

Commercial Credit Co. believes that within the next 2 years equipment sales made under the contract to hundreds of dealers will approach \$25 millions.

President C. M. Chester, Jr., of General Foods Corp. is predicting that before many years sales volume of quick-frozen goods will pass the \$1 billion mark.

The tie-up of General Foods and Standard Oil of California (BW—Apr 25'31) is expected materially to accelerate the development of the entire industry.

Capper-Kelly Bill Comes Up for Another Round

BUSINESS remembers that 15 years of fighting for legalized price-fixing ended in failure when the last session of the Senate killed after mutilation what was left of the Capper-Kelly bill as passed by the House. Senator Capper and Representative Kelly remember only that in the fifteenth year Congress did finally look at and act on the bill.

So there is going to be another edition of the famous measure ready for the next session of Congress. It will be framed to meet some of the objections that slew its ancestors, and bolstered up by newly compiled sales data derived from the recent national census of distribution.

The barrage on public opinion has already opened up. Specimen of ammunition used: Chain stores, estimated to have captured only 8% of the country's retail sales volume in 1920, had rounded up 33% of it in 1929. The percentage will continue to grow unless independent merchants are protected by legislation designed to give them an equal competitive chance in their battle with the chains.

The chain stores and department stores will lead in counter-battery operations as usual.

Department Store Services Combine Buying Power

WITH the merger of Standard Store Service Co. and Merchandise & Research Bureau, both of New York, independent department stores will have available from a single source a highly specialized buying and sales planning service.

Department stores not located in New York or Chicago have for years employed so-called resident buyers or buying offices in these cities to supplement the work of their own staffs, save time and traveling expenses. However, much of such buying has been of the hit-and-miss type, not tied into such a store-wide synchronization of buying and selling activities as is maintained by large stores in metropolitan centers. Sales and promotional planning have had to be done by department or merchandise managers who frequently lack experience, ability, or vision.

Call for Experts

Increasing competition from nationally operated chain systems and from newly established retail stores of mail order houses, declining prices, lower dollar sales volume with higher number of units sold—all these have accentuated the need for more efficient, economical operation, for expert management, and for better sales planning.

Standard Store Service Co., established in 1917, gradually expanded its operations to supply that need. Department store managers subscribing to its service are kept posted on market and style trends, advised of definite lines obtainable, prices quoted, etc. Monthly selling plans are furnished 60 days ahead to permit careful advance planning. Subscribers are assisted to install unit control systems, increase efficiency of personnel, create a balance between buying and selling, and improve rate of turnover and operating profit.

150 Stores

Since the service is available to but one store in each city no direct competition is cultivated. Over 80 department stores with annual sales volume ranging from \$500,000 to \$20 millions are using Standard Co's service, while over 500 others are using some of the special syndicated services.

Merchandise & Research Bureau has been chiefly a resident buying organization supplying a store-wide expert buying service to 70 department stores.

The 150 department stores represented by the 2 organizations have a combined buying power of over \$200 million.



The Packers Know a Good Investment

Wilson & Co., famous packers, use International Trucks. They bought their first Internationals five years ago. Since that time they have repeated to the extent of 140 trucks . . . and 138 of these are still in active service today.

Wilson & Co. send these trucks to their many branches throughout the country. "Once an International has been put in service by a branch," the home office tells us, "that's the last we seem to hear of it, and no news in this case is the best kind of news." A detailed daily cost-and-upkeep record on every truck testifies to the soundness of the International investment . . . and to remarkably low operating costs and upkeep. Some of these trucks run 200 miles or more per

day . . . well over 60,000 miles a year.

International Trucks are highly favored in the packing industry. Swift, Armour and Cudahy use them and so do other packers the country over. There is only one answer . . . Internationals give, unfailingly, the fast, reliable transportation upon which the success of the packing industry largely depends . . . and give it economically!

That is one industry. International Trucks meet the transportation needs of every industry. Your trucking needs may be different . . . but they are no exception to this rule! Every International meets the constant common demand for sound economy and solid dependability . . . by the mile and by the ton.

**182
International
Company-Owned
Branches
in the United States
and Canada**

render exceptional service for widespread organizations or for single unit users.

There is a full line of International Trucks, from $\frac{3}{4}$ -ton to 5-ton. Request a demonstration and one will be arranged immediately—a convincing demonstration, on your own job.

INTERNATIONAL HARVESTER COMPANY
606 So. Michigan Ave. OF AMERICA (INCORPORATED) Chicago, Illinois

INTERNATIONAL TRUCKS

Publishers Would Wean Radio From Diet of Free Advertising

Newspapers think they should be paid for program space while broadcasters contend it is "news"

RADIO will have to do its own advertising on the air or buy it in newspapers—at regular published space rates—if resolutions adopted by the American Newspaper Publishers' Association at its 45th annual convention are actually carried into effect.

Many newspaper publishers argue that radio programs are no longer a matter of news but constitute, rather, a composite of advertisements, each featuring some product or name. They hold that having "nursed" the radio industry from swaddling clothes to the strutting 9-year-old that represents over \$½ billion in annual sales, it now should be weaned, made to pay its way.

Going further, they want news that is broadcast regulated by press associations or newspapers; demand an investigation of the legality of radio broadcast advertising done under government license in competition with media not enjoying similar benefits.

Publishers not in sympathy with the move believe that the clamor is more

or less a result of present economic conditions. They add that owners of small newspapers, depending to a considerable extent on support of local merchants, have lost much patronage to small broadcasting stations and seem anxious to hit back.

Larger newspapers fall into 2 groups. Those that control or tie in with broadcasting stations naturally appreciate the importance of complete co-operation between the two media. Others, not so situated, support the plan for limitations.

Officials of the radio industry claim that published broadcast programs, changing daily, are just as much "news" as the weather, stock market, or crop reports, and command an equal amount of reader interest. Also that their actual advertising contents are no greater than those of stock market reports, which daily list the names of most of the radio advertisers.

They further insist that actual advertising constitutes but a small part

of a broadcast. National Broadcasting Co. reports that only 25% of what goes on the air from its stations each day is paid for by advertisers. Figuring only the amount of time occupied in announcements of the firm sponsoring a program, the radio officials conclude that only 1½ minutes of a 30-minute broadcast is devoted to advertising. On this basis they say that advertising makes up only 1½% of the total day's broadcast.

Another argument they offer is that newspaper advertising by radio manufacturers and dealers would obviously not exist if there were no broadcasting.

Regulate News Broadcast

Regulation of news broadcasts by newspaper or press association is already an accomplished fact with the important stations, which openly agree that similar supervision and the same recognition of ethics should be demanded from all broadcasting stations.

Finally there is the point of the legality of competition under government license with media not so favored. Broadcasters inquire whether any definable privileges accruing to them are greater than, or even comparable with, those actually enjoyed by newspaper publishers mailing under second class postal rates.

That radio programs have become an item of definite public interest is indicated by reports on ownership of radio sets as disclosed by the government census. Available figures covering 12 states with 3,783,883 homes, show radio sets in 33.7% of the homes.



NO TEST CASE—Emery J. San Souci (left), collector of the port of Providence, and his deputy, Thomas F. Hull, consider the cargo of the Finnish ship "Anversoise" out of Leningrad with lumber. The Treasury Dept. admitted it because it came from south of 60° north latitude. The real test will be a shipment from the restricted zone

National Advertisers Ask More for Their Money

ADVERTISING men are re-defining their job in terms of the 1931 dollar. Discussing ways and means of getting more out of that dollar by doing a better advertising job, the Association of National Advertisers, meeting at Detroit this week, emphasized closer coordination of advertising and sales, keener merchandising, shrewder selection of media. Advertisers, agents, and media representatives were all cast as "idea men" for the A.N.A. sessions.

The convention noted, protested the threat of a tax on advertising, now heard in several states; resolved that such a tax would "discriminate between media, fail to produce adequate revenue, retard progress." It subjected rates to the usual scrutiny, deplored increases, thought there could be some decreases.

Customers wanted: must be ready to buy and able to pay

AN OPEN LETTER TO THE CLEAR-THINKING BUSINESS MEN OF AMERICA . . . FIFTH OF A SERIES

Check this statement a year from now ✓



IT HAS always been the intent of *The Literary Digest* to pass by the catch-as-catch-can reader and appeal only to alert, intelligent, responsible people. To become a regular informant for those whose business and social contacts presuppose a broad interest in the world as it is—and a wide influence.

A similar policy motivates the activities of many of the strong businesses in all fields. Few houses can travel far, through the ups and downs of the changing years, without the respect and support of the mighty middle class—made up of buyers whose paying power cannot be questioned—people of steady income and established position.

It is always good business for an advertiser to choose an audience of good business men and reach them at

their home addresses. *The Literary Digest* has deliberately grouped such an audience. For twenty-five years, every issue has had its department of investments and finance. This is the only large circulation magazine whose readers have been taught to expect regular, worth-while investment news.

The *Digest* is one of the nation's leading "business papers"! A recent tabulation of topics treated editorially over a period of 21 years (made by the University of Chicago) showed that 47.3% of the total space had been given

to matters of direct business significance—industry, trade, transportation, engineering, capital, labor, government, international relations, etc.

The nation's leading business men and their families read the *Digest*. More than 70% of its subscribers are executives, owners of businesses or professional people. Among them are 240,000 wholesale and retail dealers, an equal number in manufacturing, 43,700 bankers and trust company officials, over 50,000 railroad and steamship people. A great conference of sound, successful, sizable buyers.

The *Digest* has always been able to sell itself to this powerful business-minded, motivating market. In 1930, net paid circulation averaged 77,000 copies a week in excess of 1929—and for the first quarter of this year 200,000 copies a week over the 1,400,000 guaranteed.

And the *Digest* has always been able to sell the products and services that meet the needs of this market. Witness its strength in such significant advertising classifications as investments, insurance, public utilities, communities, automobiles, motor oils, airplanes, office appliances and travel.

Again the *Digest* voices its conviction that good-will built here, at the heart and center of American life, is "the biggest thing in business." Again the *Digest* offers a strategic building site. Again the *Digest* points out that this is a good time to build!

The *Literary Digest* is one of the leading "business papers"—an essential review and record for men of affairs. It has been shown that over 70% of the *Digest's* circulation is the executive type—and it has been rightly said that the good-will of such men is "the biggest thing in business."

The *Digest* enters the best million homes with telephones, a market which buys two-thirds of all advertised commodities—and buys them first. The *Digest* reaches 36% of all families with incomes of \$10,000 and up. Its list of subscribers is a roster of ready buyers in the upper income brackets.

For 1931, advertisers buy a guaranteed average circulation of at least 1,400,000 preferred prospects.

* The Literary Digest *

S O U N D I N G - B O A R D O F A M E R I C A N O P I N I O N

"*The Literary Digest* is known to students of the publishing business as the sounding-board of American opinion. No other periodical in history has held a similar place. Time after time, its finger laid on the pulse of the people has been the one true index of national sentiment."



Underwood & Underwood

OVER THE HUMP—The Chicago & North Western's new classification yard at Proviso, Ill., is the largest in the world. Cars released at the top of the "hump" roll by gravity to the proper track. Electricity throws the switches and retards the cars by squeezing the wheels. In the foreground, a car is being slowed down to take a switch

Railroads Find 4 Reasons For Flagging Wage Cuts

Executives are divided, unions "horrified" by suggestions attributed to security-holders

SENTIMENT for a reduction in the wages of railroad labor as a means of cutting costs for the harassed carriers gained strength this week in banking circles and among owners of rail securities. This does not mean that the railroads are likely to do anything about it this week or next.

Rail executives themselves are divided as to the feasibility of such a move. *The Business Week* can state authoritatively that the 4 leading Eastern lines are opposed to it. Leaders of the 4 railway brotherhoods are publicly horrified at the suggestion. Privately, they might be willing to admit that some sort of temporary reduction may have to be brought about eventually.

4 Main Factors

Four factors are working toward maintenance of the present scale:

The roads know that if they open up the subject they will give the brotherhoods a chance to present their already-formulated demand for a shorter week or day without decreased earnings, generally referred to as a "6-hour day." The unions have avoided a showdown on the proposition because they know that the railroads will counter with proposals for at least a temporary reduction in wage rates to bring them into conformity with the decline in the cost of living.

(2) The railroads are counting on labor's support in their effort to get through Congress legislation regulating

truck and bus operation, pipe lines, and waterways, and they want to keep labor behind their Eastern trunk line merger.

(3) In taking action toward wage reductions, the railroads would be breaking their pledge to President Hoover and their tacit understandings with union leaders.

(4) If wages were cut, the agricultural groups might begin agitation for freight rate reductions.

Observers point out that the process of cutting the wage rate is such a long one that it would be of little help to the railroads in their immediate plight. The need for reductions might be removed before they could be put into effect.

With 250,000 railroad men out of jobs, including at least 50,000 train-service employees, rail presidents are hoping fervently that the slight rise in freight and passenger traffic apparent in the last 2 weeks forecasts a steady improvement which will serve the triple purpose of increasing earnings, protecting the wage scale, and providing jobs for furloughed employees.

Urge Agreement

In the East the Association of Railway Securities Owners—said to represent a majority of the insurance companies and savings banks holding rail securities, as well as large individual owners—has sought to get railroad and labor executives together "to maintain the credit of the properties." One dis-

creet meeting was held in New York. No statements were made as to what railroads were represented but *The Business Week* has been assured that the New York Central, Pennsylvania, and Baltimore & Ohio were not.

The wage question has not been opened up for several years. The Adamson 8-hour law, enacted in 1917, represented a 25% increase in the wage rate per hour for trainmen. This was offset by speeding up trains. Then, in 1918, the Railroad Administration raised the rates of pay and applied the 8-hour day to services other than those on trains. Time-and-a-half for overtime was allowed in 1919. Wage rates were again increased in 1920 by the Railway Labor Board, but were reduced in 1921. The board was subsequently abolished and, in 1926, the Railway Labor Act was passed providing for mediation and arbitration of wage disputes and proposals. Wage rates for different services in various territories were increased by arbitration in 1927 and 1928.

Little Agitation

Since that time there has been little agitation for any change in the wage situation until last fall when the train brotherhoods and shopmen announced tentative plans for agitating shorter working time for the same wages. This they have held in abeyance because of the pledges given to President Hoover not to seek wage increases, and because of the fear that the railroads might meet the proposal with a plan for reduction in pay.

Generally speaking, the wage standard in train service is a day's pay for 100 miles or less, or 8 hours or less. If a trainman is on a run which takes 9 hours to cover 90 miles he gets paid 9½ hours on a time basis, although on a piece-work (mileage) basis he has done less

What Good is a RED-HOT ROOF?

Controlled Zone Heating is a super-control system that holds more heat down in the working zone . . . and saves as much as 25% in fuel

WHERE does most of your factory heat go? Get up on a rafter under your roof and you'll quickly feel the answer. And this excessive heat up in the dead zone means that out of every thousand dollars you pay for fuel as much as two hundred and fifty dollars may be thrown away.

Controlled Zone Heating, the basic principle of Carrier-York Heat-Diffusing Units, cuts down this waste of fuel. It is a super-control system that puts and holds the greater part of the heat down in the working zone.

The usual factory heating system is designed with enough capacity to bring the inside temperature up to 70°F. when it is 0°F. outdoors. But the average winter temperature in 89 large American cities is only 41.4°F. Obviously, maximum heating capacity of the system is not required during the



greater portion of the heating season. The ordinary system must be operated at maximum capacity, which results in excessive overheating and costly waste of fuel . . . or throttled down or shut down from time to time, which results in spotty distribution and increased heat losses to the dead zone.

The super-control regulation of Carrier-York Heat-Diffusing Units, however, varies the heat output to keep pace with these fluctuations in outside temperatures. Maximum volume and velocity of air delivery are always maintained, but the temperature of the air varies constantly, so that it is delivered into the working zone at a temperature just sufficient

to balance the heat losses from the building.

Results are: Uniform heating of the working zone, and marked savings in fuel consumption.

To secure an estimate of how much Controlled Zone Heating will save in your factory, on either modernization or new construction projects, consult your own heating contractor, or our nearest branch office.

Carrier-York Corporation,
A Division of Carrier Corporation,
(Successor to York Heating & Ventilating Corporation)
1541 Sansom Street, Philadelphia, Pa.



Carrier-York

HEAT-DIFFUSING UNITS

HOLD MORE HEAT IN THE WORKING ZONE

than a day's work. Observers point out that this is not necessarily unfair because it is not the workman's fault if the train runs slowly. Time-and-a-half for overtime does not invariably apply because there is another rule which provides that if the trainman runs 125 miles he shall receive $1\frac{1}{2}$ day's pay whether the run is completed in 6 or 10 hours. In other words, the trainman does not collect punitive overtime as long as he is getting a wage equivalent to $12\frac{1}{2}$ miles an hour.

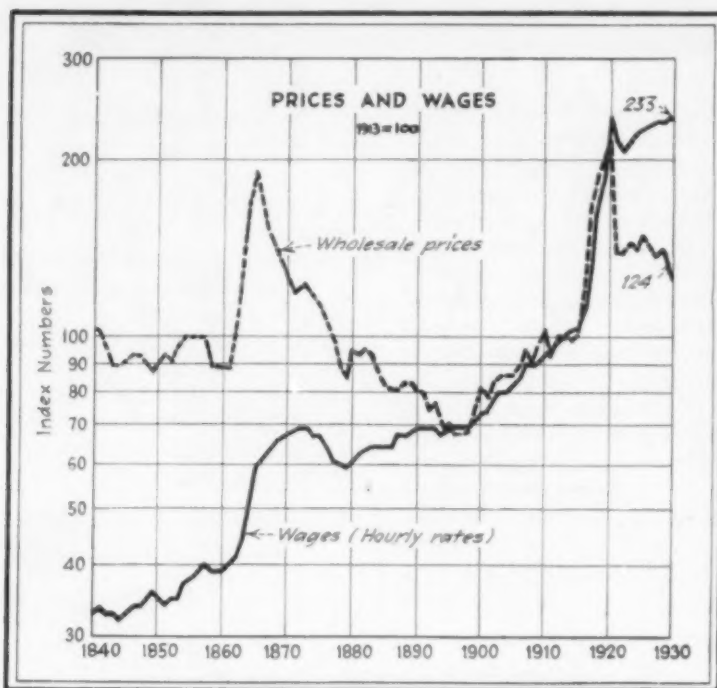
The railroad has to pay for every minute of a man's time whether he is working or not, as well as pay him for all his productive miles when he runs over a day's standard. There is actually nothing unfair to the railroads in this arrangement, but it is unfair to them when the rate of wage for a day's work, whether for 100 miles or less, or 8 hours or less, is taken as the measure of the employee's earnings. He may make his day's wage in less than a day or he may get much more than a day's pay for work consuming one day. The man's actual work is his run, and his earnings are not indicated by the wage scale.

A few figures will illustrate the situation. In 1930, the straight time actually worked by train and engine men on Class I roads was 623,902,480 hours.

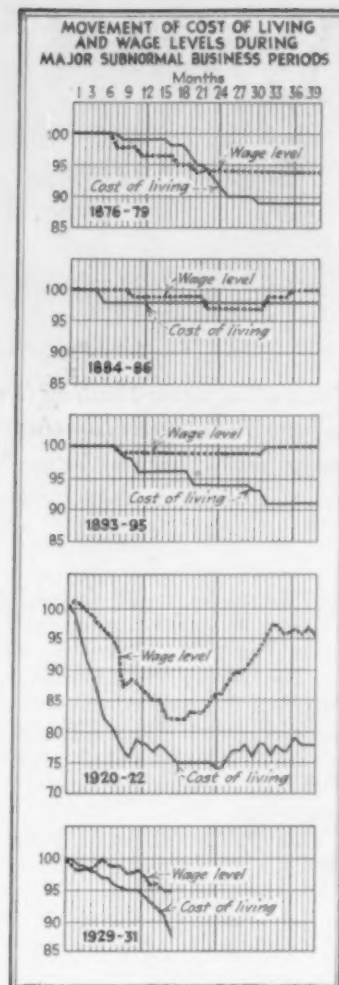
The straight time paid for was 723,537,081 hours, plus 49,000,000 hours of overtime, plus 19,118,845 hours for what are called "constructive allowances." In money, the roads paid \$526,792,862 for straight time actually worked, \$84,719,099 for straight time not worked, \$57,236,489 for overtime and \$15,281,114 for "constructive allowances." Miles actually run during the year totalled 5,823,692,995. Miles paid for but not run totalled 859,065,591.

C. P. R. Cuts Salaries

In Canada, the Canadian Pacific, sustaining marked decreases in passenger and freight earnings, reduced salaries of all office employees May 1. Suggestion for the cuts originated with the workers themselves. Said E. W. Beatty, chairman and president, in announcing the action: "A reduction in staff would necessarily involve a considerable number of employees being out of the service thereby adding to the unemployment situation. It has therefore been arranged that, throughout the general offices, employees will lay off 3 days a month without pay, which is equivalent to approximately 10%; and that all officials and members of supervisory staffs will, for the time being, accept a reduction of 10% in salaries."



WAGES AND PRICES—This chart shows also that over a long period wage rates have no relation to wholesale prices. The price level today is almost the same as in 1840, wages are about 6 times as high. The difference represents increased efficiency of production and higher standards of living



WAGES AND COSTS—The chart above compares the movement of wage rates and living costs from the time business fell below normal till it rose to normal again in each of the five greatest depressions. The figures are necessarily rough and not of uniform value in all periods but are based on the best data available, gathered by the Federal Reserve Bank of New York . . . One thing is evident: In none of these periods of depression did the wage level decline as much as the cost of living. In two cases the wage level was about the same at the end of the depression as at the beginning. It was not necessary to reduce wages as much as prices for business recovery to take place. The purchasing power of employed workers increased during every depression, which partly offset the loss of purchasing power due to unemployment, and thereby helped the process of recovery



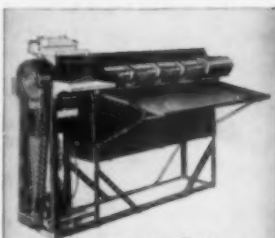
INTERNATIONAL ELECTRIC
KEY PUNCH

Profitable Methods Today are Machine Methods



INTERNATIONAL ELECTRIC
DUPLICATING KEY PUNCH

Internationals provide them



INTERNATIONAL ELECTRIC
TABULATING MACHINE



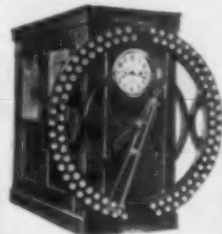
INTERNATIONAL
SECONDARY CLOCK



INTERNATIONAL
ACCOUNTING
SCALE



INTERNATIONAL
MASTER CLOCK



INTERNATIONAL PAYROLL MACHINE

A complete breaking with tradition is perhaps the most important factor in modern business success. It rang the knell for inefficient manual methods and brought speed, accuracy and economy to factory and office procedures through the application of mechanical devices.

International Business Machines were pioneers in the movement. More than forty years ago they began their profit-building service of reducing costs, controlling expenses and eliminating losses. Today they are used by every size and kind of business throughout the civilized world.

International Business Machines comprise the following four distinct lines of profit-building devices:

Electric accounting machines,—that put record-keeping on a scientific basis, simplify accounting and statistical routines, shorten schedules, and eliminate errors.

Equipment for recording, signaling and indicating time,—that controls time in its relation to costs, co-ordinates the work of all departments, and guarantees value received for time bought.

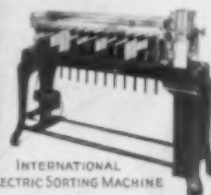
Industrial weighing and counting devices,—that eliminate waste, speed up the checking of material received and the distribution of material issued, and yield accurate accounting data.

Mercantile scales and store equipment,—that give accurate measurements of material, assure prompt deliveries, give customer satisfaction, and reduce costs.

Employ machine power to save manpower. Write or telephone to our nearest office and arrange for an interview with one of our representatives. He will prove to your satisfaction that profits increase where Internationals are used.



INTERNATIONAL
ELECTRIC ACCOUNTING MACHINE



INTERNATIONAL
ELECTRIC SORTING MACHINE



INTERNATIONAL PORTABLE SCALE



INTERNATIONAL
JOB TIME RECORDER



DAYTON MONEYWEIGHT
COMPUTING SCALE



DAYTON ELECTRIC COFFEE MILL

International Business Machines Corporation

International Electric Tabulating and Accounting Machines

International Time Recorders and Electric Time Systems

International Industrial Scales

Dayton Moneyweight Scales and Store Equipment

GENERAL OFFICES

270 Broadway
New York, N. Y.



Offices and service stations in all the principal cities of the world

CANADIAN DIVISION

300 Campbell Ave., W. Toronto
Ont., Canada

IN OUR FORTIETH YEAR

We find confirmation of our original viewpoint that the principal assets of our business must always be:

The Confidence of our Clients. 80% of our present work is repeat business.

A Sense of Stewardship. We are pledged to the principle of working for the best interests of our client.

Experienced Personnel. Currently handling a wide range of engineering and construction work from the most complicated and technical to the simpler problems.

Recognition that the Owner Must Control. The owner under our form of contract has complete authority over operations at all times, and all our contracts carry a ten days' cancellation clause.

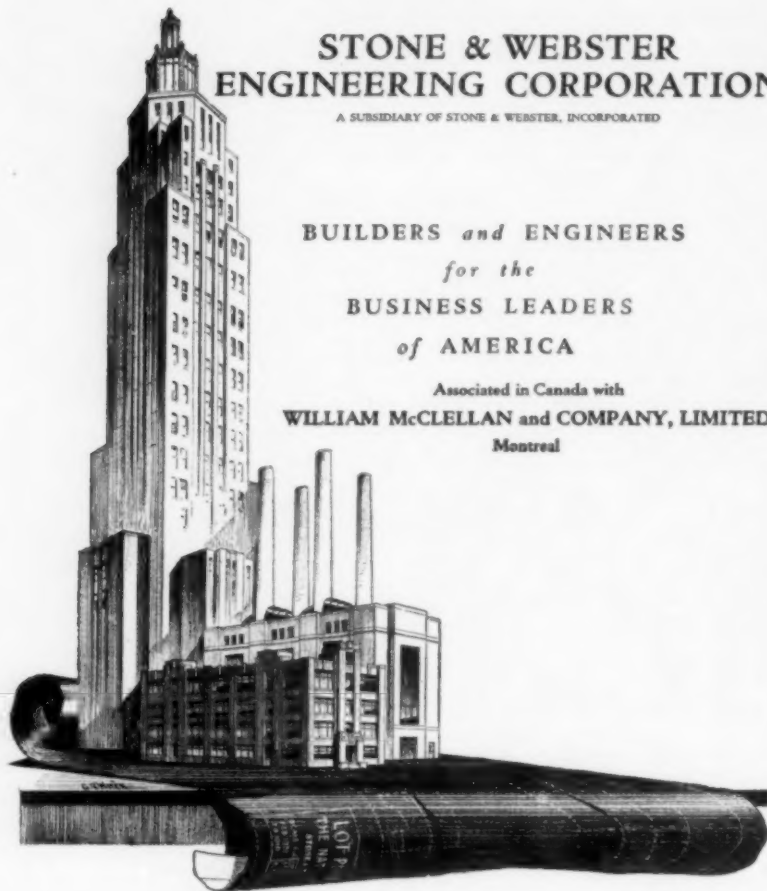
Flexible Contract. May cover any or all parts of the work.

STONE & WEBSTER ENGINEERING CORPORATION

A SUBSIDIARY OF STONE & WEBSTER, INCORPORATED

BUILDERS and ENGINEERS
for the
BUSINESS LEADERS
of AMERICA

Associated in Canada with
WILLIAM McCLELLAN and COMPANY, LIMITED
Montreal



New Process Slashes Zinc Production Cost

DISCOVERY of a new method of zinc production at only a fraction of the present cost is reported by the U. S. Bureau of Mines. The inventor is Charles G. Maier, of the bureau's experiment station in Berkeley, Calif.

The basic feature of the Maier process, whose fundamental principles seem to have been foreshadowed in the British patent of Henry Vivian and William Gossage on gas uses (1843) and in some German patents, is the use of methane or natural gas as a reducing agent.

In present practice, it takes one ton of coal to produce one ton of metallic zinc. In the new process, one ton of zinc can be obtained with 12,000 cu.ft. of methane. At 10¢ per 1,000 cu.ft. the cost of methane required to produce a ton of zinc would be equivalent to coal at \$1.20 a ton. Apart from this saving, it is claimed that the new process will lower labor and maintenance costs and improve working conditions.

Production on the new basis will now be tried in a small way in a plant at Reno, Nev. Some feel that it may take some years before large-scale production can be started. Another point which does not seem entirely certain is whether the purity of zinc produced by the new method will equal the 99.99% purity of electrolytic zinc, though such a result is expected.

The prospect of recovering zinc from low-grade ore not heretofore regarded as commercially practical arouses considerable interest in the zinc industry.

Shingle Mill on Wheels Utilizes Abandoned Wood

A PORTABLE shingle mill on wheels, capable of cutting 25 thousand shingles a day, has been devised by two Grays Harbor, Wash., men who propose with this movable plant to utilize fallen and abandoned cedar logs in the Grays Harbor district. By this method they will save the costs of transporting raw material to the mill and this will use thousands of feet of timber that otherwise would go to waste.

A 3-ton truck was cut in half and lengthened to 39 feet. On it they installed 3 saws, gasoline motors, belts and other equipment. The truck-mill weighs 5 tons and is only 8 ft. wide, complying with state highway regulations. It is operated by 4 men and is found to work economically and profitably.

Mr. Whitney of Wall Street Makes a Speech—With Gestures

FOR considerably more than a century it has been traditional for presidents of the New York Stock Exchange to make the sort of innocuous speeches to chambers of commerce that become pontifical and elderly gentlemen. It was not until last week that the financial nation entire had to sit up with a start at a really red-hot shot from the mouth of a Stock Exchange head.

Richard Whitney, addressing the Philadelphia Chamber of Commerce on "Business Honesty," made it clear that the general impression that security frauds have of late become negligible is "absolutely false." They are as rampant as at any time in the past. "Bucket shops are springing up again and will flourish just as soon as the public becomes interested in buying securities."

Must "Come Clean"

The Philadelphia speech also dealt with questionable practices in the publication of accounts by corporations—with discrepancies and delays in reports. "We shall not longer tolerate a situation in which the officers and directors of a listed company continue to withhold from their stockholders necessary information."

About fixed investment trusts the orator was even more emphatic.

It is on the pretty theory of "loading" that President Whitney was most vehement and most scathing. He recommended for the study of this aspect—which in common language means the promoter's profit—"a sharp pencil and sufficient mathematical knowledge." He demonstrated that the person going into a fixed trust frequently pays the highest current price and that when he withdraws he gets the lowest current price. This result is achieved by a simple confusion between "bid" and "asked" prices. Further, commissions paid may be well above the official Stock Exchange rate. There are, too, cases where annual charges currently levied amount to nearly 10%, so expressed that the customer's attention is not called to them.

There was a little threat in the tip of this whip-lash talk: "As I have said, the exchange is considering what action it should take to draw the attention of the public to the possible dangers connected with fixed investment trusts. In fact, the necessity is so great I am confident some action will be taken in the near future."

These were not idle words and com-

mittees have not been idly sitting ever since. On the exchange last week feeling was running pretty high. Dick Whitney is known for a firm but an exceedingly cool man. But at Philadelphia his collar-band temperature was away above the normal reading for presidents of the New York Stock Exchange.

First-Quarter Earnings "Adequate Explanation"

FIRST-QUARTER corporation earnings, appearing with abnormal slowness, furnish adequate explanation of the impetus given wage-reduction movements, dividend decreases, and the marked decline of security prices.

Hesitant to make their bad news public, managements have held back publication of statements much longer than usual. Thus, present compilations, made available to *The Business Week* through the courtesy of Standard Statistics Co., are based upon but 178 companies, include most of the leading ones.

Utilities Least Hit

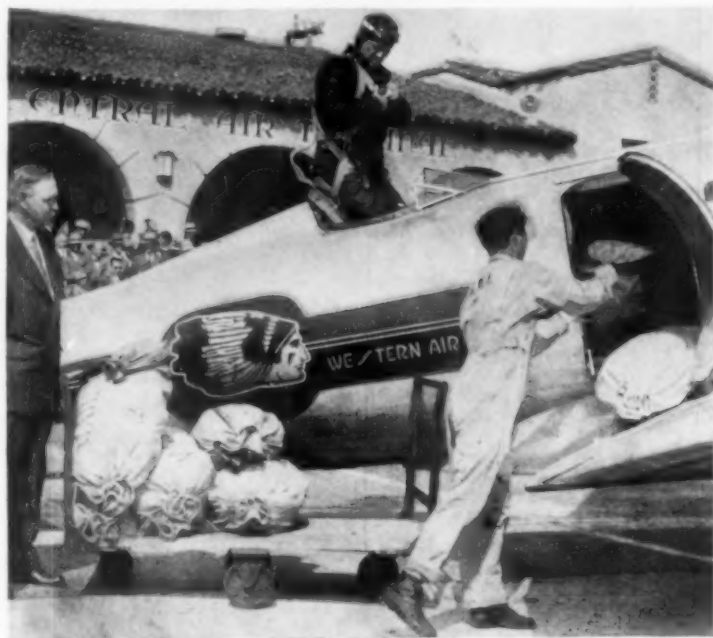
Of the 3 main business groups, railroads suffered most by comparison with the first quarter of 1930, industrial companies next, and utilities but little. The 2 largest industrials, General Motors and United States Steel, fared worse than the aggregate of the others. The leading utility, A.T.&T., did decidedly better than the other first reporting concerns.

Net income of 142 industrial corporations in the first quarter was 46% below the first quarter of 1930. Excluding G.M. and Steel, the decline was 39%. Compared with the first quarter of 1929, 114 concerns whose figures are comparable showed a drop of 58%; excluding the 2 leaders, 54%.

Net income of 14 utility concerns aggregated 4% better than in the same quarter a year earlier. The 13 left after excluding A.T.&T. show an 8% decline. For 11 companies with comparable figures, net income in the first quarter was 2% above the showing for the first quarter of 1929, but for the 10 left after A.T.&T. is out, a 13% drop is recorded.

The net of 20 railroads for the quarter was 61% off from a year ago. For the 18 with comparable figures, net is off 85% from the first quarter of 1929.

Business management and investors are confronted by the strong indication that second-quarter results will be lower than those of the first. A third of the period has passed without improvement in business, now nearing the dull days of summer.



THE MAIL GOES THROUGH FASTER—Mayor Porter of Los Angeles watches the loading of the first eastbound plane in the 24-hour coast-to-coast service

HE TORE UP THE
PLANS *for the*
NEW 4-STORY
WAREHOUSE

THE LYON MAN PROVED . . .
That Two Stories Were Ample



A large eastern manufacturer of hardware specialties was planning a new building to warehouse an 8,000-item stock, ranging from small bolts to giant anchor rods. Following a common practice, the bulkier stock was to be piled loosely on the floor and the smaller items stacked in kegs and boxes—until *The Lyon Man* was consulted!

After a thorough analysis, The Lyon Man submitted a detailed storage plan which utilized the "air rights" of every foot of floor space. Extra-sturdy Lyon Steel Shelving was specified for storing heavy stock ceiling-high; deep Lyon Steel Bins for small items. The Lyon plan was adopted—and the manufacturer cut his warehouse overhead 50%, both literally and figuratively.

In 95 concerns out of 100—yours, perhaps, similarly impressive economies could be effected through this specialized service which only The Lyon Man offers—the intelligently planned application of steel equipment to any storage problem, whether it be in factory or office; club, school or hotel; warehouse or retail store.

Whether you manufacture locomotives or kitchen ware, whether you sell motor trucks or haberdashery, The Lyon Man can show you how to save more with Lyon Steel Equipment—lockers,

shelving, cabinets, store fixtures, display cases—designed and installed to fit your special need. Savings in space, in labor, in time, in depreciation—gratifying economies that will contribute daily to lower overhead.

He will show you, too, many advantages in Lyon Steel Products—sounder engineering, sturdier construction, greater strength, superior design, wider adaptability, longer life, more durable finishes. Advantages that, plus Lyon service, are the reason why, against the sharpest competition, Lyon is awarded the majority of jobs.

Without obligation, The Lyon Man will gladly analyze your particular problem and submit detailed plans showing exactly how your business can profit by the use of Lyon Steel Products. To take advantage of this Lyon service, address: Lyon Metal Products, Incorporated, Aurora, Illinois. Branches, Jobbers and Dealers in All Principal Cities.

WHEN The Lyon Man calls he speaks with authority, not about your business, but his own—systemization in steel. He speaks from 30 years' experience in eliminating overhead from the nation's business, from a knowledge gained in helping many industries run more smoothly. What he says Lyon service will accomplish for you, that it will do—as America's greatest institutions will gladly testify.

A Few Representative Users of Lyon Equipment

Cadillac Motor Car Company
Chicago Daily Tribune
Chicago and North Western Railway
Crane Company

Goodell-Pratt Company
Goodyear Tire & Rubber Co.
Hurley Machine Company
John Wanamaker

Otis Elevator Company
Owens-Illinois Glass Company
Real Silk Hosiery Mills, Inc.
The White Motor Company



LYON

SERVICE

STEEL LOCKERS • SHELVING • STORE FIXTURES • TABLES • FOLDING CHAIRS • BINS
CABINETS • DISPLAY CASES • COUNTERS • AUTOMOTIVE PARTS-STORAGE SYSTEMS



The Business Week

THE REAL IRON HORSE—The high-wheeled "Farmall," first general-purpose tractor, marked the beginning of 100% power farming by doing every thing that a horse could do. Here, it is pulling 3 rotary hoes in soy beans, uprooting surface weeds without harming the deeper-rooted crops

Farm Equipment Companies Are Bigger and Fewer

7 main companies now offering full lines while independents specialize

THE process of making big ones out of little ones continues. In the farm equipment field, Allis-Chalmers' recently announced acquisition of Advance-Rumely means that there are now just 7 main companies offering full lines.

A full line of farm equipment, as things now stand, consists of a standard tractor, a general purpose tractor, a combine, and a line of miscellaneous implements. Caterpillar Tractor and Huber Manufacturing are omitted because they do not manufacture lines of implements. B. F. Avery & Sons, large maker of implements, is omitted because it has no tractor or combine.

7 Full Line Companies

The 7 full line companies now are: International Harvester, Deere & Co., J. I. Case Co., Oliver Farm Equipment Co., Allis-Chalmers Manufacturing Co., Minneapolis-Moline Power Implement Co., and Massey-Harris Co. The last is the American branch of the big Canadian concern with which Vincent Massey, recent Canadian minister to

the United States, used to be connected. Advance-Rumely brings to Allis-Chalmers a thresher, a combine-harvester, an efficient system of 22 branch houses, and another good name among farmers.

Absorb Small Firms

Numerous smaller companies have gone into the making of the big 7 within the past five years. La Crosse Plow Co. of La Crosse, Wis., and Monarch Tractor Corp. of Springfield, Ill., preceded Advance-Rumely into the Allis-Chalmers fold. Emerson-Brantingham of Rockford, Ill., was linked with Case. Minneapolis-Moline is a merger of 3 main companies; Oliver Farm Equipment Co. a merger of 4.

As might be expected, the lot of the smaller farm equipment manufacturer grows harder. Even one of the big groups, Oliver, has had troubles severe enough to force a reorganization.

The small manufacturers' biggest trouble is to get satisfactory outlets. At every farm equipment distribution point, big or little, are dealers of one

or more of the big companies. They have complete lines, and pressure is put on them to concentrate on these lines. They are discouraged from handling other merchandise, unless it be non-competitive; and as the lines continue to expand, non-competitive items are forced out.

Independents Aggressive

However, as in other fields, there are the aggressive independents. To manufacture standard equipment is to court competition with the big fellows. But if they specialize and are alert to develop new products to meet unfilled needs, they often prosper exceedingly. Elmer Baker, Jr., publisher of *Farm Implement News*, states that a smaller, more flexible company can get a new product on the market 1 or 2 years ahead. He cites the introduction of the corn-picker operated by a power takeoff from a tractor, developed by New Idea Spreader Co. of Coldwater, Ohio. The corn-picker has possibilities rivaling the combine, he believes; several companies are now making it.

Industrial Angle

A tendency of the big companies to diversify by seeking industrial business is noted. Allis-Chalmers, of course, is primarily a manufacturer of industrial machinery, but the other 6 are primarily farm equipment concerns. International Harvester has developed its truck manufacturing until it is third in number of units sold, second only to Ford and Chevrolet. J. I. Case has offered its first industrial tractor within the year. Other firms that make tractors for agriculture are potentially manufacturers for industry.

Few people realize how recent a development power farming really is. Machine farming is a century old, this being the centennial of the reaper. But power farming, 100%, is only 6 years old. As long as horses had to be used to till row crops—about a third of all acreage—it could not be said that horseless farming had arrived. It was not until International Harvester introduced its high-wheeled, straddling Farmall in 1925, the first general purpose tractor, that it became possible to cultivate corn or cotton with other than horses.

Promote Combines

The development and sale of general purpose tractors and of combines, now rated as essentials for full lines of farm equipment, have been the big achievements of the industry since power farming actually arrived.

This power plant on wheels does the heavy labor. The general purpose

tractor that sells around \$1,000, can plow, cultivate, reap, fill silos, put hay in mows—do everything that horses can do except help fertilize the fields—and much that horses can't do.

Credit problems, now faced by all farm equipment companies, are causing much concern. Farmers are generally honest, but too often without funds. They are likely to be leery of easy credit, even when offered, having

learned in recent years the bitter lesson that debts eventually have to be paid, with interest.

International Harvester now offers to sell power-farming equipment for nothing down, 3 crop years to pay, but the proportion of sales being made on these terms is not great.

The J. I. Case Co., demands a down payment believes that its elimination is carrying credit extension too far.

the advice of the Federal Farm Board and the Farmers National Grain Corp. to reduce acreage.

Farmers Store Own Wheat; Borrow on Certificates

WITH enactment of a farm grain storage law by the Minnesota legislature, farmers throughout the major portion of the spring wheat belt can now hold their wheat on their own farms and receive negotiable storage certificates on which they can borrow through commercial or co-operative channels. This places them in a position to co-operate with Administration plans for holding 1931 wheat off the market.

Bins Are Sealed

In general the Northwest state storage laws provide for state inspection of farm bins or granaries, sampling and testing of stored grain, sealing of the bins and issuance of certificates by the state attesting the quantity and quality of the stored grain. Insurance against the risks involved, as well as surety bonds, are required in most of the states.

One difficulty in operation of the plan is that if a loan becomes delinquent there is no easy method of compelling the farmer to deliver the grain to market. Advantages of the plan are cheaper carrying charges for storage than in regular elevators and facilities for holding more grain off the market in the harvest rush.

Wheat Growers Call Farm Board Plan Destructive and Quit

THE North Dakota-Montana Wheat Growers' Association, 25,000 grower members, has resigned from the Farmer's National Corp., marking the first split between a cooperative organization and the Farm Board program.

George E. Duis, explaining the withdrawal for the association, charges that "instead of helping our organization the Farm Board has done everything possible to destroy it."

Ousted From Chamber

Almost simultaneously the Chamber of Commerce of Minneapolis cancelled the membership of the wheat pool on the grounds that its recent statements have not been in line with requirements set for membership.

Mr. Duis said, in discussing the withdrawal:

"It was but natural to believe that, with the enactment of the Agricultural Marketing Act, co-operative marketing associations were to receive benefits.

"Instead, the public money has been lavishly spent, most of it going to sources which emptied their elevators at pegged prices and which had no right to benefit from the stabilization efforts of the federal board.

"If farm relief is to be what the Federal Farm Board has handed agriculture through their cooperatives to date, it is certain that members of the North Dakota-Montana Wheat Growers Association have had all of that kind of relief they want, and are ready to go back to their own methods of marketing."

Board Made Loan

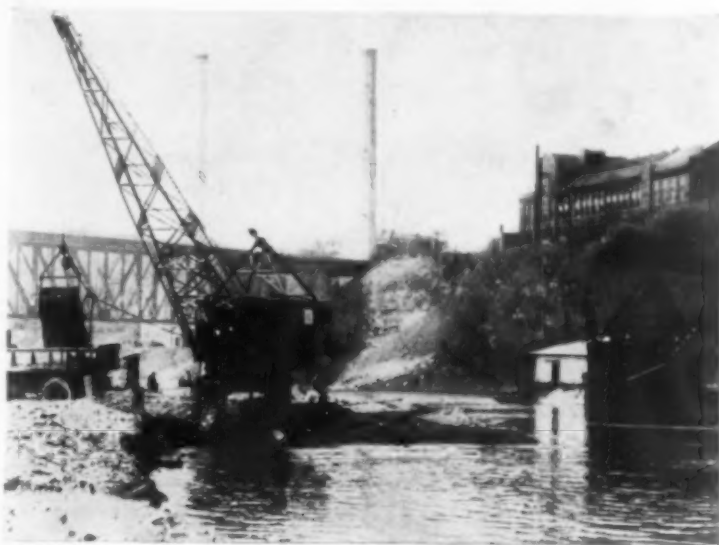
Government records show that the Farm Board had made a direct loan to the pool, secured by 4,000,000 bushels of stored wheat. The Farmers National Corp. also loaned \$300,000 to the pool, to finance its marketing operations.

Since the withdrawal of the North

Dakota-Montana association the number of competing cooperative grain marketing associations operating in the Northwest spring wheat area as affiliates of the Farmer National Grain Corp. has been reduced from 7 to 3.

Today the associations operating with the Farm Board and the Farmers' National Grain Corp. are the Farmers' Union Terminal Association of St. Paul, Northwest Grain Association of Minneapolis, and American Wheat Growers of Aberdeen, S. D. The Farmers Union and the Northwest Grain Associations are two operating throughout the territory.

The first announced indication of a lack of harmony with the Farm Board came about 2 weeks ago, when Mr. Duis advised farmers against following

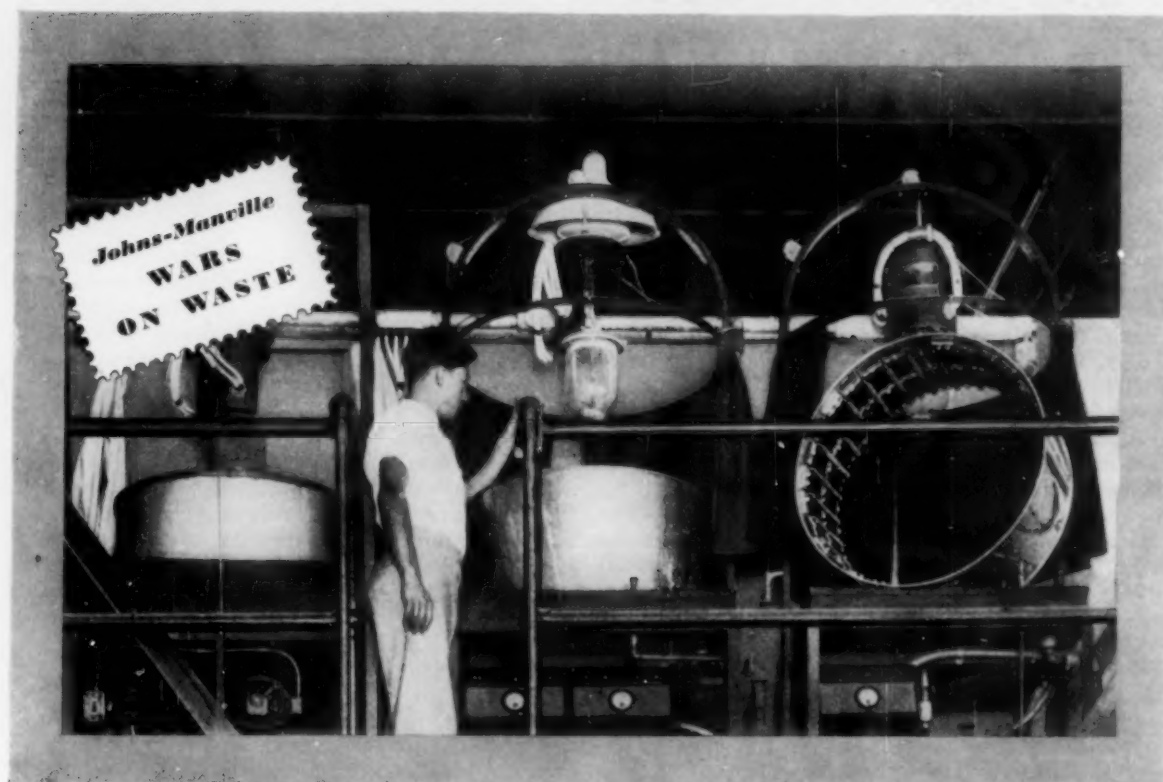


The Business Week

MINNEAPOLIS BUILDS A HARBOR—Tows had no room to turn at the head of navigation on the Mississippi, so a barge basin is being dug by the city to be repaid from the channel appropriation.

There are 365 days in a

*by "speeding up the weather," roofing facts
experimenting on the buyer*



"Suddenly out of 10° below zero came a tropical downpour"

8.45 A. M. Weather changing *fast*. Cold wave coming. The thermometer dives—mercury almost lost in the bulb. 10° below zero . . . for nearly 2 hours. Now the thermometer shoots up—rain beats down. Thunderously. An inch of solid water every ten minutes. Suddenly the sun blazes out. Hot, almost instantly *hot*. Winter's frozen breath has changed to tropic heat—140° Fahrenheit. Water becomes steam . . . nothing. Ultra Violet Rays spray invisible darts. The atmosphere throbs like a pulse.

1.45 P. M. Rain . . . once more. Two violent hours of it. And then, with blazing torment, the renewed fire of Ultra Violet Rays that scorch and sear and burn through the long watches of the night . . . morning again.

This action takes place within the cycle of every 24 hours. Not on the slopes of Greenland's icy mountains . . . or the hot sands of the Sahara—but in New Jersey. Johns-Manville roofing materials are undergoing a J-M laboratory test—*concentrated weather*.

A year becomes a month in this remarkable laboratory. The forces of nature are duplicated, multiplied, within the area of a small room. Heat—but greater heat than most roofs are called upon to endure in actual use. Cold, but greater cold. Rain, but harder rain. *Change*—sudden change from heat to cold to heat again. *Change*, the deadliest foe of materials.

Thus the stamina of each type of Johns-Manville roofing is constantly measured

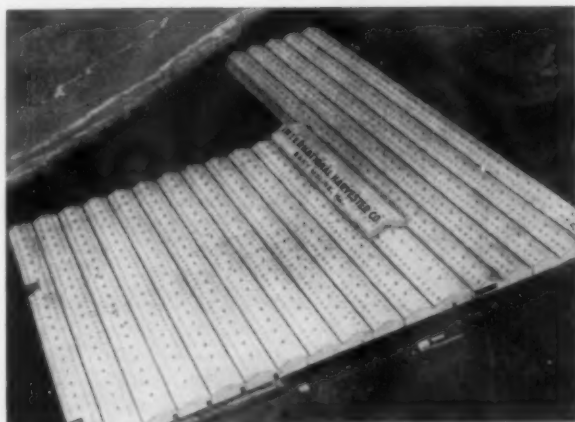
—kept standard. Thus new, more enduring materials are developed. Thus, in appraising the value and the endurance of Johns-Manville materials, certainty is substituted for guesswork.

The laboratories at Manville, N. J.—one of the most complete and best equipped institutions of its kind in the world—exist for the purpose of answering, *scientifically*, the two vital questions that concern *you* when buying a roof. How will it stand up? How long will it last?

Johns-Manville "speeds up the weather," actually reproduces natural forces to determine these answers. And for whatever purpose that roof serves—home—office building—factory—the *exact* answer is known in advance of purchase.

Johns-Manville month

are sifted from theories—without



"Aviators flying Moline-ward are also grateful"

34 Acres of J-M Transite

WHEN the International Harvester Company decided to put 34 acres under one roof at Moline, Ill., J-M Transite was selected—not only for the roof, but for the walls of the vast warehouse.

Transite, famed in industry for more than 25 years, was developed by J-M engineers from mineral products—*asbestos fibres* and *Portland cement*. They wanted a material which would do the work of corrugated iron, but do it better. When they finished their work, Transite and corrugated iron resembled each other only in form.

Beyond that, the similarity ceased. *Asbestos fibres* and *Port-*

land cement combined under a pressure of over 300,000 pounds to the square foot to produce a material that is dense, homogeneous. It won't burn, rust, rot. It isn't affected by fumes. It doesn't warp or crack under exposure. Nobody knows how long it will last, but certainly as long as the age-old minerals in it.

So the International Harvester Company has 34 acres of permanently protected space that will never cost a penny for upkeep . . . Aviators flying Moline-ward are also grateful for the selection of Transite. A 34-acre white spot is a landmark not easily overlooked.

To perpetuate the HANCOCK-CLARKE HOUSE

WHEN American farmers and British troops traded pot shots for salvos on Lexington Green, the Hancock-Clarke house (already 77 years old) was an architectural gem in that charming village. Recently the Lexington Historical Society, present guardians, decided that a house so rich in historic interest, must no longer be exposed to unnecessary fire hazards. (23% of the fires which burn houses start on the roofs.) A roof was sought which would harmonize with the lines of the Hancock-Clarke house, give permanent protection against fire and weather.

In Salem Shingles they found their mellow, non-burning roof. Johns-Manville architects had labored long to develop a type of roof which would meet all modern requirements, without shouting, "New! Modern!"

In the gray shades, Salem Shingles authoritatively reproduce the effect of the hand-hewn shingles of New England. In soft browns, greens, and reds, their usefulness extends beyond any single architectural period. They are literally a new medium. Because they are made of *asbestos fibres* and *Portland cement*, they are not only fireproof, but everlasting.



Without shouting "New! Modern!"



"Re-roofer Peck will hold a celebration"

OLD STATE CAPITOL starts life anew

SEVENTY years ago the roof of the State House at Montpelier, Vt., was sheathed with metal. Last year, Johns-Manville Rigid Roofinsul was spread over the weather-worn corroding metal. On top of this a J-M Super Class A Asbestos Roof was laid.

The roofer, Nelson Peck, Johns-Manville Approved Contractor in Montpelier, inspected the handiwork of his men on completion of the job. "It's a good re-roofing job," said Peck, 46 years in the business. "I'm planning to hold a celebration when this new roof is 25 years old."

Johns-Manville

Controls
HEAT, COLD, SOUND
Protects against
FIRE AND WEATHER





THE PHOTOGRAPHIC ACCOUNTANT—The Bank of America in Los Angeles uses the device invented by a New York banker to photograph all checks

"Negligence, Too, Can Be Fraud" Court Tells Public Accountants

**Ruling in Ultramares case re-defines liability
in all kinds of professional service**

THERE was quietly settled out of court last week the momentous case of Ultramares Corp., exporters and importers, of Beaver Street and of Water Street, versus Touche, Niven & Co., public accountants, of Maiden Lane, both of Manhattan. Eminent counsel for one party as for the other declined to divulge exactly the sum in settlement. The curious also had to seek knowledge of the new law, as laid down by Judge Benjamin Nathan Cardozo of the New York State Court of Appeals, from neutral firms along lower Broadway.

"Don't Quote Me"

And if nobody in any way directly connected with the case would talk, or could be quoted, it was precisely because of the gravity of the decision, not only in its momentary but in its ultimate import. For several more mighty cases than one depended on the memorable decision from Albany. Its application was far broader than the profession of the public accountant. And that was

why great lawyers found time last week to opine about the new degree of responsibility of any and all professional advisers, whether they be accountants, architects, doctors, engineers, economists, or even lawyers themselves.

The incidents of late January, 1924, which provoked 5 years of litigation at millions of expense, were of an extreme simplicity. Fred Stern, merchant in crude rubber, asked Touche, Niven & Co., public accountants, to do an habitual annual audit of his balance sheet. It was the fourth time that the great Anglo-American firm had audited the little rubber man. And without incident.

On Sunday evening, Feb. 3, a young man called Siess, junior accountant, had finished his last item of posting. But after the departure of Siess there came to the offices of Fred Stern, Inc., one Romberg, bookkeeper for Stern, who made some changes in the books. A tidy item for \$706,843.07 additional in accounts receivable slipped through. Also

\$113,119.60 in accounts payable from one Baltic Corp. And so it was that a balance sheet showing net worth of \$1,070,715.26 was certified in the ordinary way by Touche, Niven & Co. Now it so happened that Fred Stern wanted 32 of these certified balance sheets. He got them.

The Stern System

What were the facts? Fred Stern was insolvent. He was borrowing money from banks. With the 32 brand new balance sheets he went forth to borrow still more money. He succeeded at several places, 6 of record for there is trace of 6 suits, one now settled, and 5 ready to be settled now on the basis of the settlement of suit No. 1. One of the victims bore the fetching name of Ultramares. They let Stern have \$165,000. Jan. 2, 1925, the card-house of Fred Stern, Inc., rubber, was declared bankrupt with bewildering suddenness. Fred Stern died—from his heart, say some.

Ultramares sued Touche, Niven late in 1926. There were 2 counts—negligence and fraud. The original judge, in the trial term, threw out the count of fraud from consideration. Hence it was that the jury decided in fact only about negligence. The eventual award was for \$187,576.32, a sum which was later increased through interest and costs to \$200,000 odd.

"Of Counsel—"

Then, upon the appeals, there took place the great mobilization of counsel. Samuel Untermyer, John W. Davis, James Marshall, of counsel, as they say in legal papers. Roger S. Baldwin, eminent legal authority on the special problems of accountants, also of counsel, but retained by the American Institute of Accountants, as *amicus curiae*. Also J. Harry Covington, for the Institute, and Kenneth McEwen, general counsel for the New York State Society of Certified Public Accountants. The embattled penmen prepared a million dollar artillery barrage of words and wits. Ultramares stuck to its able, simple, and unpretentious friend Herbert R. Limburg, although he got the eloquent Martin Conboy to help him out.

What the Court Said

It is not necessary here to follow the rounds in detail as they were fought. At the end it all got to Justice Cardozo.

(1) Touche, Niven were not responsible for their negligence. Why? Because they had no contract with Ultramares.

(2) But they would be responsible for fraud if the jury had held that there was fraud. Therefore, the case would have to be tried again by a jury down

The Biggest steel desk values of 1931!



DIGNIFIED BEAUTY MARKS THE WILLIAM PENN—note the gracefully turned legs, the exquisite graining. It's available in either walnut or mahogany finish.

*Never before have such styles, such finishes
been offered at such attractive prices*



FOR YEARS this Art Metal 1500 desk has been the standard for clerical work in large corporation offices as well as small offices.

Art Metal
STEEL OFFICE EQUIPMENT

HERE'S the William Penn—another of the beautiful new designs in the 1931 Art Metal line.

Here's a desk that is specially designed for conservative tastes. Its lines are impressive, dignified. And its finish—even to the Artolin top—is a perfect reproduction of the exquisite graining of the finest walnut.

What's more, this desk has all the conveniences modern business demands—trays, drawer partitions, paracentric lock, improved drawer slides, even space to conceal desk-light and telephone wires.

And what a price! No matter how much you know about office furniture, you'll be amazed at the value the William Penn offers.

Desks for every purpose. In addition, Art Metal offers a full line of desks to fit every special and general business purpose. All are of ageless, fire-resisting steel—all built to meet the rigid Art Metal specifications. We'll be glad to send you a complete catalogue on request. Art Metal Construction Company, Jamestown, New York. Branches and Agencies in 500 cities.

THE ART METAL LINE . . . Fire Safes . . . Storage Cabinets . . . Desks . . . Shelving . . . Plan Files
Horizontal Sectional Files . . . Upright Unit Files . . . Counter Height Files . . . Postindex Visible Files
IN THE ART METAL BUILDING EQUIPMENT DIVISION...Hollow Metal Doors and Trim...Elevator Enclosures...Architectural Bronze...Library Fittings...Partitions

the line to determine whether there had been fraud.

(3) The legal meaning of fraud was re-defined, re-refined, expatiated upon at length.

Here are these fine points:

Negligence Decision

The accountant cannot be held for what the law technically calls negligence towards persons with whom he has no contract, no "privity," because there would be no end to it, no end to the number of interests and to the eternity of their duration. But he is responsible to all men for what the law terms technically fraud—an entirely different and a finer matter than the fraud of common morality and common sense—because a wrong has been done and an untruth told whether he knows it or believes it or not. Such is the fine sieve of the Justice's reasoning.

If an audit is so negligent as to justify the conclusion its makers had no genuine belief in its adequacy, that is, legally, fraud. Gross negligence is evidence to sustain an inference of fraud.

Settled Out of Court

The import: The firm of accountants as defendants preferred to settle the case out of court rather than to risk going up again before a jury, although by Judge Cardozo's decision they did not owe the plaintiff—Ultramares—anything any more. Why? Assumptions in facts are gratuitous, but the legal assumptions of theory are permissible, and in any event they were gone into elaborately last week in a hundred law-offices. The learned Justice's decision was troublesome enough as it was, without running the chance of making it worse.

The practical result: Accountants, specifically, may resort to 3 measures. They may make contracts with their clients which bond the clients to protect them against the whole world. They may so change the wording of their certifications that they are "hedged" against responsibility. They may limit their liability by incorporation. The professional disadvantages of any one of the 3 devices are obvious.

The Other Professions

As regards the other professions which receive fees for advice, the problem will be special in each case. The lawyers will have to work it out—even for themselves. Lawyers certify bond issues are legal—suppose they sloppily overlook a statute?

The old hard line between negligence and fraud has been erased. There can be no appeal in New York state, and the decision will probably carry the great weight of its author's mind not only in

the other states but in England as well.

There is a new kind of "fraud" in the world and if a man is guilty of it he is responsible towards the whole world

even when he owes that world no duty.

And already there has appeared the first example of a new type of certification of a balance sheet.

Trucks, Rails Find Freight War In Mountain States Is Costly

Motorized carriers vie with each other and with rail companies and both suffer losses

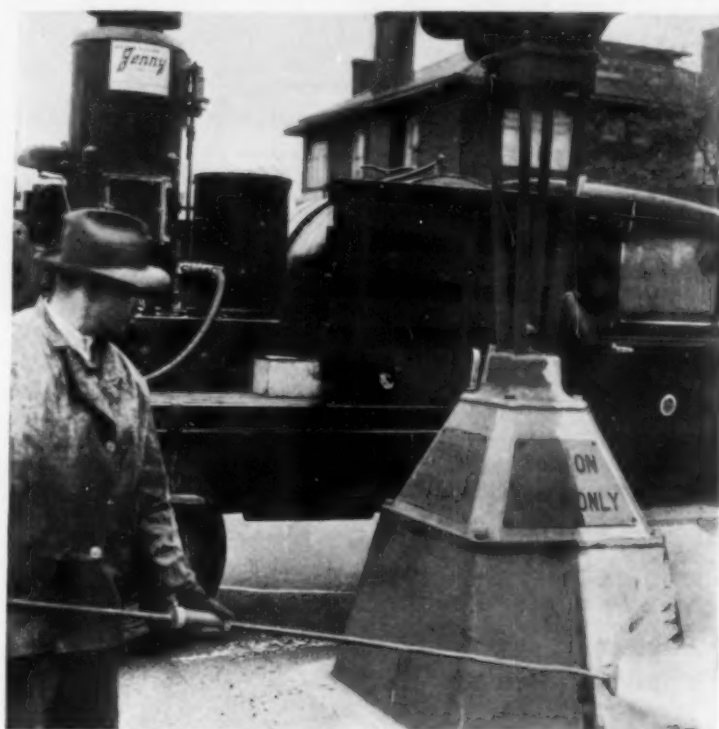
MOTOR truck competition with rail carriers in the Rocky Mountain states region has resulted in a division of traffic volume which, in most cases, is proving costly to both.

As in the Pacific Coast and Middle West territories, the freight tonnage seems insufficient to support both forms of carriers, and as a result only a few are showing a profit.

Competition with the railroads between points reached by both mediums is perhaps more intense in these states (Colorado, Wyoming, Idaho, Montana, Utah, New Mexico, and Arizona) because industrial centers are few and far

between and traffic moves only on certain well established routes. However, the truck is doing a real job in these states serving thinly populated sections which the railroads have never reached. Mining camps and isolated ranches are finding the truck a boon.

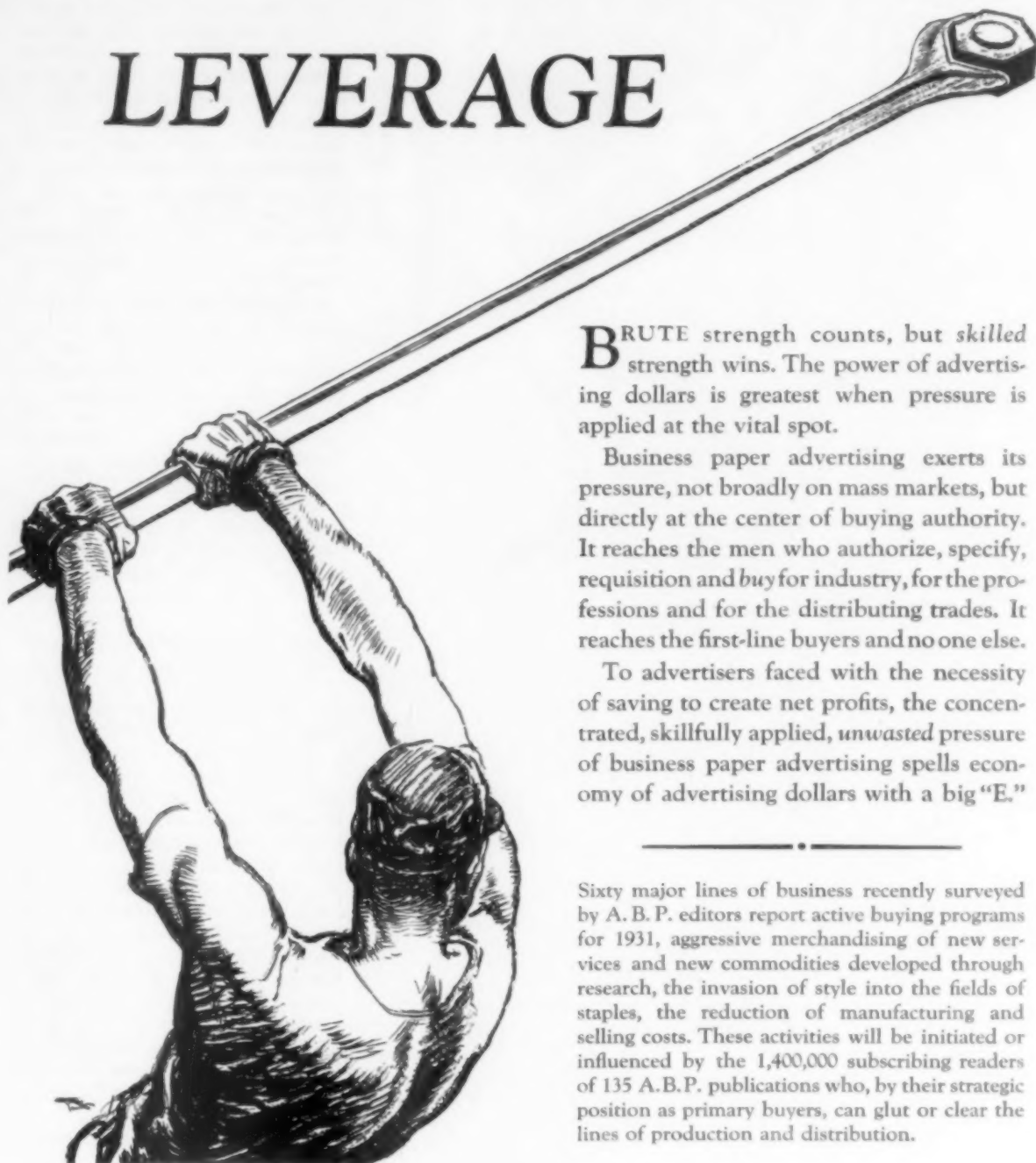
Again, as in the other surveys, it is impossible to determine the actual volume of freight moving on the highways. Contract and private carriers file no records with the state regulatory bodies. In Wyoming little attempt has been made to regulate the one class of trucker under the state's jurisdiction—the common carrier, and in the other



SPRING CLEANING—Pittsburgh turns the "cloud gun" on traffic signs and signals; it shoots a cloud of water vapor and cleaning compounds, mixed under pressure; grease and grime are blown away, paint is unharmed

The Business Week

Beef Counts...*but* so does LEVERAGE



BRUTE strength counts, but *skilled* strength wins. The power of advertising dollars is greatest when pressure is applied at the vital spot.

Business paper advertising exerts its pressure, not broadly on mass markets, but directly at the center of buying authority. It reaches the men who authorize, specify, requisition and buy for industry, for the professions and for the distributing trades. It reaches the first-line buyers and no one else.

To advertisers faced with the necessity of saving to create net profits, the concentrated, skillfully applied, *unwasted* pressure of business paper advertising spells economy of advertising dollars with a big "E."

Sixty major lines of business recently surveyed by A. B. P. editors report active buying programs for 1931, aggressive merchandising of new services and new commodities developed through research, the invasion of style into the fields of staples, the reduction of manufacturing and selling costs. These activities will be initiated or influenced by the 1,400,000 subscribing readers of 135 A. B. P. publications who, by their strategic position as primary buyers, can glut or clear the lines of production and distribution.

THE ASSOCIATED  BUSINESS PAPERS

INCORPORATED

TWO-NINETY-FIVE MADISON AVENUE, NEW YORK

Distinction always carries its mark of recognition.



CRANE'S BOND FOR BUSINESS STATIONERY

CRANE & CO., INC.
DALTON, MASS.

states, attempts are somewhat haphazard. Total trucks of all classes in the 8 states run as follows: Colorado, 28,000; Arizona, 10,600; Idaho, 13,000; Montana, 25,000; Nevada 6,000; New Mexico, 2,000; Utah, 17,000; Wyoming, 8,000. Taxes, in the form of registration fees for common carrier trucks, are comparatively heavy, running from \$56 per vehicle in Montana to \$575 in Utah. Fees for privately-owned trucks are slightly less. In addition, common carrier operators pay about \$200 per vehicle annually in gasoline taxes.

Arizona Typical

Arizona illustrates the typical condition. The Corporation Commission there reports 7 licensed common carrier lines operating 3,000 miles of route and serving all the principal towns, handling about 42 tons of freight daily. Of the 7 lines, 4 compete with each other and with the Santa Fe and Southern Pacific for the haul into Phoenix from Los Angeles. Three companies report profits although not in large amounts. Those which are meeting railroad rates are operating at a loss.

Competition between the 4 companies vying for the Phoenix-Los Angeles business is ruinous. Of these, one is offering a special refrigeration service to shippers out of Yuma and the Imperial Valley and is making a little money, charging \$1.75 against the railroad's \$1.66, and conducting business in a methodical manner. The others are raising a lot of dust and getting nowhere.

Denver the Center

Denver is naturally a truck center in the Rocky Mountain region, with 52 common carrier lines operating out of it to such points as Pueblo, Greeley, Cheyenne, Wyo., Loveland, and Berthoud. Trucks are used extensively by private owners in hauling farm produce to the city, and by mining companies for transporting ore to rail lines. Of the 4 largest common carrier lines running out of Denver, one (8 trucks, 119 miles of route) made \$3,000 in 1930; another (12 trucks, 149 miles) \$4,000; a third, (8 trucks, 55 miles) \$121; and the fourth (6 trucks, 53 miles) lost \$500.

Profits Scarce

There are 20 registered common carrier lines in Nevada, none of which seems to be making money, according to the state public utilities commission. Their chief service is to the isolated mining camps not reached by any other means of transportation. The commission lists as unique advantages of trucks in the state: "store or house delivery; no packing requirements (particularly

attractive to less-than-carload shippers of melons of which there is a large volume); quicker service, personal contact, and flexibility." The Southern Pacific and the Virginia & Truckee Railway Co. are reported as hardest hit by trucks in Nevada. Actual figures on their losses are not available.

Much the same conditions exist in Utah. Salt Lake City is the principal trucking center with 110 tons of freight moving in and out daily on the highway. Ten lines center in the city with routes radiating to Tooele (38 miles), Marysvale (222 miles), Bingham (27 miles), Ogden (37 miles), Vernal (200 miles), Provo (45 miles). Generally speaking, the carriers are not making money. About half of them reported deficits last year ranging from \$2,560 to \$8,498.

Again it is evident that the most serious truck competition the railroads face comes from the privately-owned or contract-operated vehicle. The licensed common carrier lines play a relatively unimportant part in the set-up. Very little relief for the rail carriers is to be gained, therefore, from further regulation or taxation of the common carrier trucker.

High Rail Rates Hamper Coast Lumber Shipments

LOWER rail rates are necessary if the lumber industry of the Pacific Northwest is to be rehabilitated, according to Col. W. B. Greeley, secretary-manager of the West Coast Lumbermen's Association. He shows that since 1920 the movement of lumber from the North Pacific to the Atlantic Coast has increased 25-fold. Due to high rail rates it is cheaper to ship lumber by water to Atlantic terminals and then back haul it by rail as far as Ohio in many instances.

Colonel Greeley also states that transportation costs on timbers and common grades by rail to the Mississippi Valley district, the greatest consuming market for the product of the Pacific Northwest, are greater than the value of the lumber. Some method of shipping this material to the Middle West at lower than present rates, he declares, is a vital necessity.

Figures of the Pacific Lumber Inspection Bureau covering water shipments from British Columbia, Washington, and Oregon show a loss of 21.9% during the first quarter of 1931 compared with the corresponding period, 1930. Domestic cargo business dropped 19.3%; foreign, 26.8%.



Mr. Kettering Came to Springfield

WAY BACK IN 1910 the Cadillac Motor Car Company contracted with a young engineer named Charles F. Kettering for his newly invented self-starter and the Dayton Engineering Laboratories Company was born. But in quantity production "Delco" faced the necessity of securing armatures wound to closer limits than were then thought feasible. Mr. Kettering came to Springfield and enlisted our aid. It looked impossible—but that meant nothing to us. Finally our engineers devised new winding machines that turned the trick and on February 17th, 1911, Delco shipped the first starting-ignition-lighting system to Cadillac—the forerunner of countless thousands built with R & M units. Today Delco winds its own armatures, but Mr. Kettering will be the first to tell you that R & M's ability to wind a "mean" armature contributed to the swift success of his great invention—just as R & M stands ready to help you unwind your electrical difficulties today.

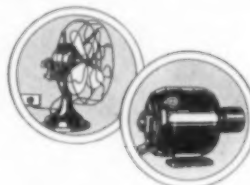
If you have a problem in electrical-motored machinery, come to Robbins & Myers. We offer you the facilities of a completely modern plant and the experience of 33 years' precision manufacture in designing, building and applying electric motors, generators, fans and electrical appliances.

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1878



1931

FANS, MOTORS, HAND AND ELECTRIC HOISTS AND CRANES



The Business Week—European News Bureau

ENGLAND'S SYSTEM—The Paddington goods station of the Great Western Railroad where freight is transferred from "goods van" to "lorries"

U. S. Rail Heads Study British Store-Door Delivery System

English carriers offer 3 methods of l.c.l. service with own trucks and warehouses

EUROPEAN NEWS BUREAU—American railroad executives, forced to consider store-door delivery of less-than-carload freight as a means of recovering traffic lost to the truckers (*BW*—April 31), are studying the situation in England where such service has been part of the rail system for years.

British carriers offer 3 kinds of l.c.l. freight service: door-to-door pickup and delivery, railhead terminal storage and delivery, and direct railhead distribution. Special types of trucks and tractors are used to handle various shipments, and inclusive door-to-door rates are quoted.

One Set of Charges

Inasmuch as the carriers' own trucks perform the services, only one contract and set of charges is involved, and only one organization is responsible for safe transit of a consignment. Due to pressure of competition from independent truckers, rates have been frequently revised and concessions made, the entire railroad field acting in unison. Latest concession, for instance, provides that when several small lots of merchandise

are consigned to the same place on the same day, they may be considered as one shipment subject to lower rates.

Containers interchangeable between truck chassis and freight car such as are beginning to be used on a few roads in the United States were first employed on British railroads in 1927, and their use is steadily expanding. The International Union of Railways, in conjunction with the International Chamber of Commerce, is now holding a competition to discover the most efficient types of containers. The roads themselves also are experimenting.

Railhead terminal warehousing and distribution has become very popular in England. Under this system the manufacturer or merchant can forward his goods in bulk to a rail freight depot in a thickly populated area to be stored in the railroad's warehouses until delivery is to be made. In addition to providing storage the railroads check stock and supply all the necessary services such as labelling, weighing, and sampling. If desired, office accommodations are provided so that the shipper's own staff

can superintend the storage and distribution of the goods. Collection for delivery by highway is undertaken either by the railroad's own trucks or by any independent trucker the shipper or consignee desires.

Alternative Service

An alternative method is that of direct railhead distribution, which involves operation of fast and regular truck service by the railroads themselves. Strategically placed railheads are selected and freight consigned to any point within a given area is sent to the relevant railhead instead of to the nearest railroad station; from the railhead, the goods are delivered by truck. This comparatively new service is designed for those who regularly ship small lots to a number of different consignees within a limited area, and is particularly attractive to firms with nationwide distribution such as cigarette, candy, and bread manufacturers.

The method of operation is for a number of separate consignments to be grouped together, sent in bulk to the railhead, where they are unloaded from the train, split up and re-arranged according to final destination, and are then reloaded on to trucks for delivery. In cases where justified, the railroad provides a vehicle bearing the shipper's own name and a driver wearing his uniform.

37,000 Vehicles

The direct railhead distribution system was started by the Great Western Railway which already has 4 railhead distribution points, each responsible for deliveries within a 30-mile radius.

British railroads now operate 5,000 trucks and 32,000 horse-drawn vehicles. Surprisingly, the latter have not decreased in number and are used extensively for deliveries involving a large number of stops within a short distance or long waits at docks.

Summer School at Harvard For Business Executives

A SPECIAL session for business executives will be held during July at the Graduate School of Business Administration, Harvard University. The first of these sessions was held in 1928. Some 600 executives of 300 companies have attended.

The courses being offered this summer are Finance, Public Utility Management and Economics, Railway Transportation, Retail Distribution and Store Management, Sales Management, and Industrial Marketing.



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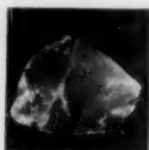
A beautifully illustrated free booklet, "Planning the Modern Office in Wood," will be sent on request. Wood Office Furniture Associates, Inc., Dept. 51, 420 Lexington Avenue, New York City.



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with a new resin



For centuries, varnish makers have been striving to develop finishes more resistant to the relentless attacks of the elements. Progress has been disappointingly slow. Finishes made with the greatest care and skill, of the finest and costliest materials, fell far short of perfection.

In many research laboratories, chemists worked ceaselessly to find a material, or a formula that would produce highly resistant finishes. In one of these a new synthetic varnish resin was created. After long experiment and test had demonstrated its remarkable properties, this resin was offered to a few varnish makers for trial in production and service.

Later, the force of well planned and striking Industrial Advertising was called upon to carry the story to the trade. It electrified the paint and varnish industry. The response was instantaneous. Inquiries were followed by orders—and then by re-orders.

To the officials of companies that sell to the industrial market, we will gladly send a folder of typical advertisements from the current campaigns of this and other clients. Will send facts about the resin too, if you ask.

Rickard & Company
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Industrial Advertising Since 1912
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Mr. Snowden Bets High Stakes On a Business Recovery

LONDON (Cable)—The new British budget announced this week shows the Labor government avowedly is gambling on a trade recovery, resorting to some rather questionable expedients to postpone the real task of balancing the budget and avoid tax increases. The immediate effect is good, but the ultimate result is likely to be grave unless a remarkably sharp business upturn occurs.

Four moves and a gesture complete the budget presented by the Chancellor of the Exchequer to cover a prospective deficit of \$186 millions and to keep his promise of a year ago to avoid important tax increases:

Gasoline a Target

(1) The tax on gasoline was increased 4¢, to 12¢ a gallon, a rise expected to yield \$37.5 millions. The tax increase is eased by the recent price fall, but light car makers and rubber manufacturers complain it hits them without compensation.

(2) Snowden will draw \$100 millions from his exchange reserve in New York. Financial critics characterize this raid on the exchange fund as "unsound financial policy," say it is based on an unjustified faith in the continuation of reparation payments by Germany to provide balances needed for exchange and debt purposes.

(3) Three-quarters of the year's income taxes will become due in January, instead of the usual half. This makes a fourth of some taxes which would normally be paid next year collectible in this one, is expected to bring in \$50 millions otherwise unavailable until fiscal 1932. Fear is expressed that this may ruin many firms and individuals, as the half-year collection already lags.

Land Tax Just a Hope

(4) A land tax of about 2¢ on \$5 is proposed, but due to the need of extensive valuations this will yield no revenue until 1933. The proposal is, in part, a tactical move to enable Labor to force the issue of Lords vs. Commons at some convenient future date. Further, tax students recall that an attempted land tax was one of the biggest fiascos of the Lloyd-George chancellorship 20 years ago and was eventually abandoned as the cost of collection left no yield.

The gesture was a not very convincing one toward economy. The failure to apply increased indirect taxes is ascribed to fear of antagonizing the

workers. This is regretted by business men as a failure to make the working-man realize the true gravity of the situation. As a result, little let-up in the demand—and grant—of social services can be expected. Some of the strongest criticism came from Labor's own left wing, aroused by the fact that Snowden suggested economy and did not raise tax rates on high incomes.

"A Deep Uneasiness"

The effect of postponing budgetary troubles is to stimulate capital exports in fear of the next budget. Beneath the surface a deep uneasiness already exists, furthered by the belief that revenue is grossly overestimated.

Total estimated expenditure for the year is \$4,016 millions, which probably will grow with supplementary needs. This total is \$486 millions above 1924 despite the enormous price declines. This is a tremendous burden on business, tending to brake recovery.

U. S. Treasury Faces Problem Like Britain's

BRITAIN'S budget of expediencies adopted on faith in trade recovery interests Americans who face a much more unfavorable Treasury situation. Though annual expenditures of the two nations are within 6%, we will show a deficit of \$700 millions to \$800 millions on June 30 compared with the \$115-million loss the British Exchequer has just reported. And for the fiscal year ended June, 1932, present prospects are for a considerably larger deficit than Britain would show but for her expediencies.

Britain has met her situation by postponing her difficulties to a period when, she hopes, trade will have recovered. Considerable Congressional talk urges the same course on this country. But we need not decide until after the first of the year, when our situation will be clearer.

British intention to use \$100 millions of reserve funds in New York causes little excitement in the money market. Popular expectation is that the World Bank or some other institution will purchase the funds for dollar exchange, with little or no resulting effect. Even should withdrawal result, little trouble would be experienced due to the plethora of short term funds.

**72,000,000
TIRE MILES
in 1930**

Interstate Transit shows the Silvertown Route to greater tire efficiency...

Why **BALLOON TIRES?**

30% more mileage—says a fleet operator. 10 m. p. h. faster—from an inter-city express company. Greater traction—reports the contractor. Repair costs cut—the garage superintendent. Easier on the load—the records of a moving and storage house. More tons per day—a word from the delivery man. Less fatigue at 5.30 P. M.—the truck driver. Heavier loads over hotter roads—from the Imperial Valley, California.

C. S. WARNER, President of Interstate Transit, Inc., knows tire performance. His observations are based on the study of an operation that traveled 72,000,000 tire miles in 1930 alone!

He says, "In developing this long haul bus service one of our first considerations was tires. Since our route strikes about every conceivable kind of road and temperature condition known, tire quality and consistent performance were essentials. Naturally we chose Goodrich . . . we are glad to tell you that Goodrich Tires have played an im-

portant part in helping us to expend this operation and maintain schedules."

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New Preferential Credit Plan Nullifies Commercial Treaties

**Negotiations between Austria and Hungary
are extended to Italy and Yugoslavia**

EUROPEAN NEWS BUREAU (*Radio*)—A new pact which legally gets around the most-favored-nation clause in commercial treaties!

A pact which would practically nullify the commercial treaties of the world and which would change the whole structure of trade agreements between nations!

Austria and Hungary believe they have it in outline form. They have worked out an agreement which would provide this and so far students of international law have found no fatal flaw in the plan. If the scheme can be negotiated in treaty form, it will—economically—be another step toward an Austro-German-Hungarian trade alliance.

More than this, it is preparing the way to a new economic alliance of Central Europe. Preliminary negotiations have been so successful the Austrians are pushing the plan. In Venice, Italian grain officials are considering joining the compact. So are the Yugoslavs. What the Geneva tariff truce conference failed to accomplish, German initiative may bring to pass in the near future.

The Plan

What is the plan?

Austria wishes to establish closer economic ties with Hungary. Hungary wants closer ties with Austria. Neither country is as large as Kentucky, but Austria has a population of nearly 7 millions, Hungary nearly 8 millions. These 2 neighbor countries constitute each other's largest markets.

Austria wishes to increase agricultural duties, and farm products are Hungary's principal exports. Hungary, in turn, is trying to bring up a tariff-incubated industry. And industrial products constitute Austria's principal exports.

Both Raise Tariffs

To these shrewd bargainers, there seemed but one way out and that was by a system of preferences. Let Austria raise farm tariffs. If the country imports smaller quantities of agricultural products than previously, but gives Hungary a preference, the volume of Hungarian farm products coming into Austria will

still increase. By the same process, Hungary will maintain or raise industrial tariffs but take relatively more Austrian factory goods than heretofore.

Here is the solution.

Rebate Discounts

Austrian or Hungarian exporters now pay 10% to 12% when discounting export bills. It is proposed, under the new plan, that the Austrian government will rebate (through the usual banks) part of the cost of discounting these bills when drawn on Hungary. The Hungarian government will do the same for Austrians. The Austrian government will make this rebate not for its own account but for the account of the Hungarian government; the Hungarian government will do the same. Periodically, these rebates will be matched and cancelled. Any remaining balance will be paid over by the debtor government from public funds.

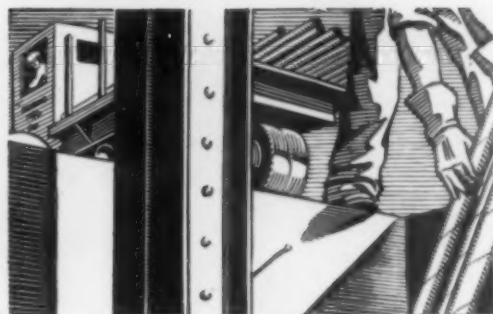
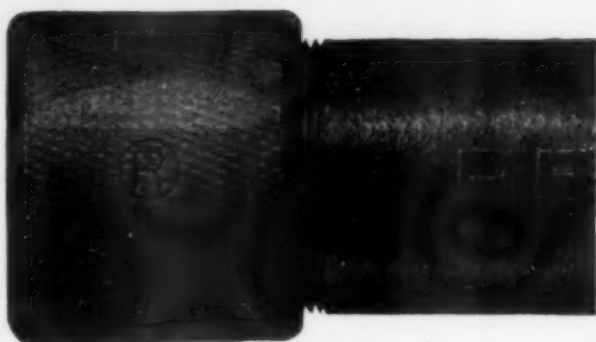
Here is a new practice, one which apparently legally and successfully circumvents existing treaties, which can be used on a large scale and effectively, which not only can be used but is deliberately designed to discriminate between countries. Wherever this new practice may be introduced, tariff treaties, the most-favored-nation clause, and all the established safeguards to international exchange become meaningless.

Ball Starts Rolling

European business, reflecting on the first reports of the plan, draws a few hasty conclusions. Recommendations made by the League of Nations, or at least under the auspices of the League, suggesting preferential trade practices designed to escape provisions of existing treaties, have started a ball rolling which may in time roll 'round the earth and bring confusion in its wake. A whole new field of trade practice has been opened up and endorsed. If exploited, a new chapter in commercial law will be occasioned. The existing structure of international trade agreements will have to be modified in order that existing treaties shall again mean what they were and are intended to mean.

The system is not to be applied in-

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THOUSANDS of master plumbers throughout the country turn to the pipe marked with the honest indented Reading spiral when you ask for a *lifetime* of clear, sparkling water . . . leak-proof pipe joints . . . resistance to strain and electrolysis . . . freedom from all pipe troubles.

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LONDON, MIDLAND & SCOTTISH CORPORATION
 [Thomas A. Moffet, Vice President-Freight Traffic]
 1 Broadway, New York City

discriminately, will apply only to certain categories of goods and only to given quantities in each category. The rate of government credit rebate will not be the same in all cases. The rate, for example, will be 6% on grains, 5% on textiles, 7% on iron and steel goods. Agreement in principle on these rates is said to have been reached. Ratification is expected within a month.

Move Quietly

The physical machinery to operate the plan is being set up, but very quietly. In Vienna, the other day, a firm—Austro-Hungarian Trading Co.—was registered as a private company. Directors, however, are all members of other semi-official or actual state enterprises. A similar company is to be established in Hungary. These companies are to centralize and supervise the "preferred" trade.

How will this seemingly complicated system work?

A Hungarian grain exporter ships \$100,000 worth of grain to Austria, under 6-month bills. He will receive a rebate of \$3,000. He will pay the same Austrian duty as will any other most-favored-nation supplier to Austria, but the other supplier, the Roumanian or the American exporter, will not get the \$3,000 rebate. At least, not until his country makes a similar compact with Austria.

Open to World

The field is open to all comers, must be or it will be ruled discriminatory and in violation of treaties. It is a tricky scheme but Italy and Yugoslavia have already expressed an interest in it. If the Austro-German customs union is backed by "preferential" agreements with Hungary, Italy, and Yugoslavia, it will intensify the economic advantages of the union, will minimize the efforts of the French to "counter" Germany's bold move, will pave the way for all of the Balkan countries to effect the "preferential" union at which they have aimed in half-a-dozen conferences in the last year.

A New Move

Heretofore, the world's trade relations have been regulated and administered on the basis of customs tariffs paid in national currencies and by treaties defining tariff obligations and privileges. The only important exceptions have been quantitative restrictions upon imports, called contingents. Though these traditional practices have at times found discriminatory application, there have not been introduced practices which legally escaped the scope of existing trade treaties.

Business Abroad—Swift Survey

Of the Week's Developments

World business is not registering the proper spring gains. . . . France has reduced unemployment, but the country's politico-financial schemes have been shaken. Britain is relieved at the mildness of the budget, but not reassured, or confident. German business, encouragingly showing signs of recovery for several weeks, has come to a halt, temporarily at least. . . . Securities markets are shaken; commodities irregularly down. . . . Prospect of international loans and a gold flow from Paris are encouraging. . . . Japanese business held up during the week but will slump on any bad news from large world markets. . . . Latin America is an uncertain, but generally discouraging, quantity.

World Business Fails Expected Spring Gains

EUROPEAN NEWS BUREAU (Radio)—Business in general, despite sensitiveness

to present unfavorable developments in Wall Street, is valiantly holding the ground gained in recent weeks. Security markets and certain commodities are exceptions. Sentiment is distinctly stronger than in the United States, but leaders are harboring no illusions that any rapid recovery is in prospect.

Outstanding developments during the week were: (1) the sharp advance of sterling and strengthening of peseta exchange; (2) the imminent possibility of gold movements from Paris to London; (3) relief over Snowden's "budget of expediency" which neither fulfills widespread Tory hopes for a schedule of import tariffs, nor justifies general fears of increased direct taxation; (4) the depletion of wheat stocks and increasing volume of purchases by the principal grain importing countries.

Price levels sagged markedly during the week. The cumulative weakness caused by the unloading by Americans of foreign commitments was no more to blame than the lack of positive European support of the domestic security and

commodity markets. Non-ferrous metals were particularly hard hit. Rubber touched, but promptly reacted from, an all-time low. Cotton was weak. Silver, lead, and wool on the other hand, were steady. Jute was strong. Wheat prospects, with local supplies vanishing in France, Germany and Italy, are good. There is no evidence that business is deteriorating, but the immediate prospect is one of considerable irregularity without any sharply defined trend.

Exchange Fluctuates

Financial attention is centered on exchange movements. Sterling is rising sharply against the dollar. The franc, on the other hand, is declining until it has touched, or is approaching, several export gold points. The unfavorable trend of the foreign trade balance is one reason for the decline. Another is the decline in the number of spring tourists. The scare over the Austro-German customs union scheme has also tended to drive French funds abroad. The avoidance of any further increase in direct taxation in the new British budget has, on the other hand, tended to strengthen that country's financial position and keep money at home, though it is believed the coming year inevitably will bring another heavy deficit.

Wheat Stocks Exhausted

The whole agricultural situation is improving rapidly with the depletion of domestic wheat stocks, notably in France, Germany, Belgium and Italy. Shipments from the over-stocked countries of Eastern and Central Europe are expected to reach considerable proportions between now and July. Regulations restricting the percentage of foreign wheat admissible for domestic flour are being progressively liberalized. Germany, for example, has increased the portion of foreign wheat from 20% to 50%; France has raised the quota 3 different times within the last month until now 25% foreign wheat can be used by millers instead of the first rigid limit of only 10%. Holders of grain surpluses, however, have not yet turned optimistic. The extreme protectionistic policies which most of the grain importing countries of Europe have adopted during the last year are not being abandoned. The tariff bars are lowered only when domestic supply is nearing exhaustion.

Italo-Soviet Trade

Germany and Italy continue to develop their trade relations with the Soviets. This week, Russian trade delegates in Italy completed a pact with Italian government officials by which the Soviets agree to place a minimum of



LIVERPOOL'S NEW FLOATING ELEVATORS—Two of them hard at work at the Bromsbrough Dock, trans-shipping grain from steamship to barges for the Continent. Liverpool is the great grain market of Europe

\$17½ millions in orders in 1931 for Italian goods. The volume last year (the first year of the Italo-Soviet trade agreement) totaled only \$10 millions, went for automobiles, airplanes, ships, machinery. To attract the business for Italian industries, the Mussolini government is guaranteeing export credits up to 75% over a period, in some cases, as long as 36 months. Italian engineers also are being employed as technical assistants. In turn, Italy has contracts with Russia to purchase predetermined quantities of Soviet coal and oil.

Budget Relieves Tension In British Business

Budget relieves business tension but world factors retard immediate reaction. . . . Gold influx from Paris anticipated. . . . Rubber hits new low, but rebounds. Copper and tin sag; zinc relapses. . . . Country ponders nation-wide \$2 billion railway electrification project.

LONDON (Cable)—The pre-budget lull ended Tuesday with general satisfaction that there is no increase in taxation except on gasoline. Long term business, however, is not normal, fears meeting three-quarters of the budget payments on Jan. 1, anticipates a new and larger deficit next year because it mistrusts Snowden's "expedients" (page 36).

The prospect of a gold influx from Paris has caused exchanges to improve slightly, but reaction to Wall Street continues to be a depressing factor. Rubber dropped to a new low on publication of Dunlop's unfavorable report. Speculation over the outlook has not failed to concede that artificial restriction is a dead issue, and probably wisely so.

Non-ferrous metals experienced heavy selling. Copper and tin were hit by the failure of Pynchon & Co. Zinc touched a new low.

Failure of No Import

The failure of Gamages' new West End store is regarded as incidental rather than symptomatic as it was launched at an inauspicious time and under the wrong type of management. It will be bought, it is understood, by Lewis's, big multiple store experts.

"Unparalleled in the industrial history of any country" is the bold project for the electrification of all British railroads on which Lord Weir's committee recently reported favorably. The cost of conversion of the total 51,000 miles of lines, it is estimated, would be about \$2 billions, and would give employment

to 60,000 men for 20 years. Annual savings to the 4 big railway companies are estimated at \$62½ millions. Long-headed observers expect eventual unification of all systems and electrical operation, but admit present financial and political obstacles may hold up progress.

France Pushes New Loans; Situation Unimproved

Unemployment decreases but general situation unimproved. . . . Food prices rise 1% during the week. Wheat shortage develops. . . . France approaches several gold export points. Bankers push negotiations for loans to European satellites, despite bad Roumanian issue. Gold expected to move to London.

PARIS (Radio)—Greater seasonal activity has brought the first reduction in registered unemployment since the beginning of the year. General conditions, however, are unimproved.

Several coal mines have suspended activity, notwithstanding recent wage cuts amounting, in most cases, to 6%. Price inflation has increased. The cost of foodstuffs, in particular, gained 1% on the week, further aggravating the difficulty of deflation of wages and operating costs. The Bourse is running new lows. March sales tax revenues, an immediate index of turnover, were down 17%, compared with 1930.

France is developing an acute wheat shortage. Seaboard mills claim a shut-down will be necessary unless adequate foreign supplies are admitted promptly, for domestic reserves are sufficient to cover only the needs of inland local mills. It was only 6 months ago that the Ministry of Agriculture was urging farmers to withhold grain from a glutted market. This week the policy was reversed; a proclamation was issued urging immediate marketing. And for the third time within a month the percentage of foreign grain admissible for mixing in domestic flour was raised another 5%, until it now totals 25%. Reliable estimates of the probable import requirements for the balance of the crop year are not yet available.

France Near Export Point

Increasing foreign trade deficits, the low spring tourist volume, reinvestment of French funds abroad, plus the transfer of Spanish capital to London and New York by way of Paris has combined to depress the franc to the gold export point against dollar, sterling, and Reichsmark exchange.



MOST FAMOUS HAWAIIAN—James Dole, the pineapple king, arrives on the "Malolo" for a vacation in San Francisco

Most encouraging factor to world business is the fact that, as a result of these combined influences, the abnormally swollen French gold reserves of \$2.2 billions will now progressively be reduced, with American authorities co-operating to prevent uneconomic shipments to America.

Rush New Loans

To this can be added a new enthusiasm on the part of the French (pressed by the need of getting ahead of Germany's new maneuvers) to rush plans for extensive foreign loans, now long pending. Despite the poor reception of the recent Roumanian loan and considerable local sentiment against foreign lending (due to scare talk and worry over various friction points in Europe), bankers are pushing several plans for extensive new loans. The contract for the \$40 million railway loan to Poland was signed last week and immediately ratified by the Polish parliament, despite the admonition from the League that the railroad to Gdynia (which this loan will finance) will accentuate further the deflection of Polish shipping from the impoverished port of Danzig. It is likely that the first \$16-million instalment of the

Polish issue will be offered without delay.

More recently another French satellite has received a hearing in its demands for a loan. Czechoslovakia has asked for a \$50 million government loan and French bankers have already signed a preliminary agreement offering this sum at 5½% for a 25-year period. The bonds will be issued at 95. Proceeds are destined to convert the 1922, 8% dollar bonds when they are called in May of next year.

Loans Negotiated

Now that Austria has been bargaining with Yugoslavia, difficulties between the government at Belgrade and French bankers over the former's share of the old Ottoman Empire debt have been smoothed and fresh loan negotiations are under way.

Finally, there has been allocated to France \$3,200,000 of the first issue of 5½% mortgage bonds to be issued by the Central Mortgage Bankers of Amsterdam. Total of the first issue is \$5,600,000. The International Bank is another participant. The issue has made a bad impression abroad because Germany was not included among the countries where the proceeds are to be invested, and France is being criticized as a holder of a majority interest in Central Mortgage Bankers.

German Upturn Halted By Wall Street Reaction

Recent upward trend halted.... Unemployment decreases, but only seasonally. Building trades fail to show even spring gain.... Farm relief in form of additional tariffs balked by industry. Wheat duty lowered on contingent of ½ million tons.

BERLIN (Cable)—The upward movement of the last few weeks is at a standstill. Stock markets are reacting strongly to Wall Street, commodities to general European irregularity. Unemployment for the first half of April declined 120,000 but this was due to nothing more than a seasonal pickup. Greatest disappointment is the failure of the building trades to register even an appreciable spring revival.

Business interest just now is centered in the resumption of work on the Cabinet agenda which includes the all-important agricultural tariff measures and reform of the over-taxed unemployment relief fund.

In the case of agricultural tariffs, 2



Mt. Vernon Goes Abroad

"Here I am, folks, 3000 miles from home and my twin on the Potomac. At the Paris World's Fair—or as they say over here, "Coloniale Internationale Exposition de Paris."

"Everyone says I'm one of the most interesting exhibits here—and a pure example of Early American Architecture. But I take their admiration as a real compliment because some of these exhibition buildings must have cost millions.

"Part of my appeal is probably due to the fact that I'm the "twin brother" of George Washington's home and also that one of my bedrooms was occupied more than 150 years ago by that great French soldier, the Marquis de La Fayette.

"I beg your pardon, I meant to say that one of the bedrooms in Mt. Vernon on the Potomac was occupied by him. This being a twin is very confusing.

"But what has really set tongues wagging about me was the amazing speed of my construction. Believe it or not, but in less than 10 days from the time the United States Government awarded the building contract to Sears-Roebuck, most of my materials were on their way to France and just 73 days later I was completed, inside and out, a reproduction of our historic American shrine. A miracle to the French, who take many months to put up the simplest structure—but just everyday stuff for us Yanks."

Je n'avais aucune idée Sears Construisait des si belles maisons,

which is the French way of saying,

"I had no idea Sears built such fine homes!"

Read this illustrated story of how families in every walk of life have discovered a better and simpler way to own their ideal homes.

This beautiful booklet contains photographic illustrations of many of America's best designed homes built during the past year. It is brim full of alluring ideas and suggestions, with pictures of simple cottages, two story English, Norman and Colonial designs, and many other types. It explains all details of Sears remarkable home building and financing offer.

If you own a well located home site, or can buy one, and can make a reasonable down payment, Sears will plan your home (or take your architect's plans), build it complete, and assure your satisfaction with a 200 million dollar guarantee of serviceability and quality on all materials, equipment and workmanship.

If you live east of the Mississippi and north of the Ohio mail the coupon and learn how you may own your ideal home on monthly payments regulated to fit your income.



SEARS, ROEBUCK and CO.,
HOME CONSTRUCTION DIVISION

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At no cost or obligation, send me a copy of your new booklet. I own a lot for which I paid \$_____ and want a home with _____ rooms and _____ baths that I can own for \$_____ a month or less.

Name _____

Address _____

City _____

State _____

Telephone _____

problems are foremost. Dairy farmers, depressed along with the rest of the agricultural world, are making fresh demand for a 100% increase in butter duties. Industry is incensed, believes it has already suffered unduly from the extreme protectionist policy which agricultural interests have succeeded in forcing on the country. Holland and Scandinavia, 2 excellent customers, will, industrialists declare, retaliate.

The second problem is the necessity of reducing the prohibitive wheat duty because of a shortage of domestic stocks. Cabinet action has already reduced the duty from \$60 to \$40 a ton on a contingent of 500,000 tons, needed for immediate consumption. Besides, relieved of domestic stocks, the quota of foreign wheat allowed in domestic milling operations has been increased from 35% to 50%.

Stocks Are Low

In absolute figures, stocks of wheat on Mar. 15 were 350,000 tons below last year's figures; rye, 450,000 tons; barley, 300,000 tons; oats, 600,000 tons.

In the end the Cabinet has sidetracked the question of doubling the duty on butter, and pushed the wheat duty down because of popular outcry last week when Berlin bakers raised the price of bread. The government's drastic wage reduction program has been

accepted by the public on the good faith that living costs will be kept down. With bankers insisting on further wage cuts, the farmers demanding higher protective tariffs, and the public ready to rebel if the cost of living rises, the government is in a tight place.

Politics Disturb Business In Latin America

Business shows no improvement. ... Argentina expedites currency elasticity. ... Uruguayan bonds off on bad rumors. ... Central American conditions more calm.

Few things have developed to change last week's unfavorable outlook in Latin America. Political conditions in Brazil are not satisfactory, though the brief rebel outbreak in São Paulo was promptly put down. Coffee has fluctuated violently during the week, due largely to speculation on the new export tax policy and the plan to withdraw surplus stocks.

Argentine farmers have been helped in moving their crops by the government's scheme of issuing paper pesos against gold deposits in legations abroad. To give further elasticity, the government last week passed a new law

which commits the Caja de Conversion to issue paper pesos against notes and bills on commercial banks. These moves, and the determination no longer to support peso exchange, will make it unnecessary to keep up the large gold shipments which have continued since January.

News Leak Hurts

Uruguay is suffering from an unfortunate leakage of official news. Some weeks ago, despite the generally sound economic position of the country, government officials are said to have had conversations with European bankers regarding the possibility of a moratorium on Uruguay's service obligations to various European countries.

When the news leaked out, Uruguayan bonds turned weak on both European and American markets—are down as much as 25 points in New York. Wall Street bankers declare funds are on hand to meet current service charges on dollar bonds, believe Uruguay is in a sound condition despite the deficit on the national budget, and the unfavorable market for the chief commodities exported.

Japanese Market Steady, Except for Cotton

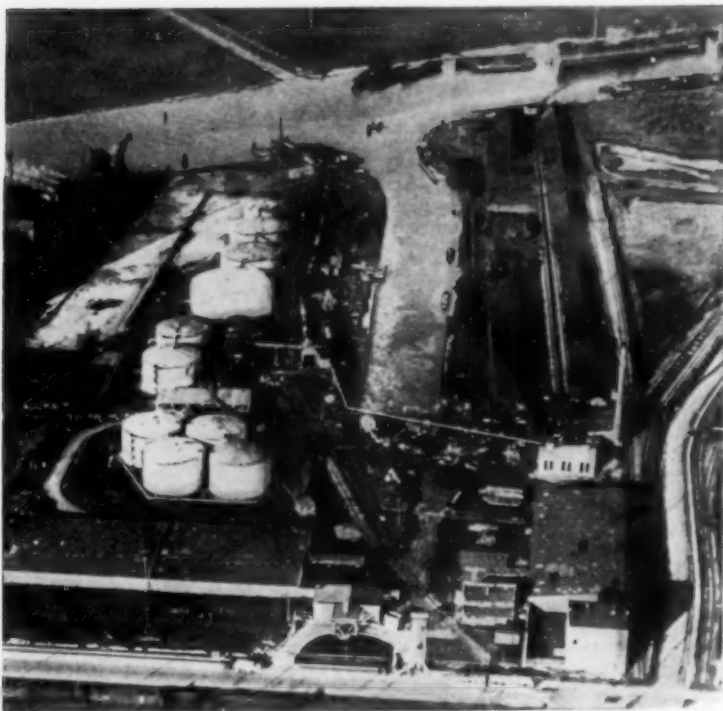
Business generally the same. ... Cottons register another decline. Raw silk stabilization plan begins to liquidate.

EXCEPT for the recession in cottons, Japanese markets were steady, though without sufficient strength to withstand another week of strong reaction to declining United States stock and commodities exchanges.

Another artificial stabilization scheme is liquidating. A year ago the Silk Merchants Association withdrew from the market nearly 120,000 bales of raw silk in an attempt to stabilize the price. The government backed the scheme with an advance of about \$50 millions, but limited its guarantee to only \$15 millions in case the price of the commodity fell sharply.

Silk Stocks Offered

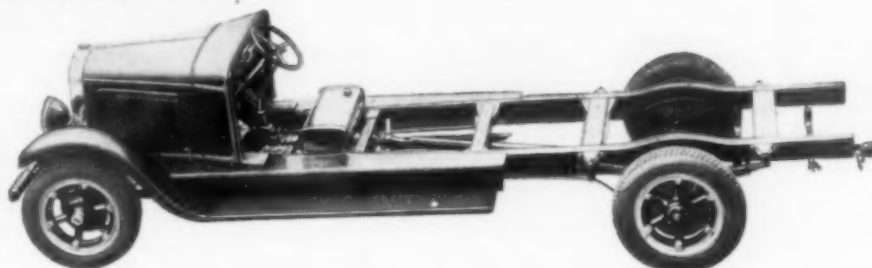
Raw silk prices having declined steadily, the limit of this guaranty has been reached. This week 600 bales of the stored silk were offered on the market and eagerly taken up, because stocks are low in the period between the old and new crops. The balance will be offered in small instalments as fast as the market is able to absorb them without further reducing prices.



AMERICAN OIL FOR GERMANY—The new storage tanks of the German-American Oil Co. at Stettin will supply Berlin and the Oder valley region

NEW WILLYS SIX TRUCKS

The new 157-inch wheelbase 1½-ton chassis designed to handle extra long or bulky loads, priced at \$35 additional over the standard 1½-ton Model C 131



WILLYS SIX LONG WHEELBASE 1½-TON CHASSIS MODEL C 157

Heavier frame, sturdier bridge type cross members. Available with oversize single tires and dual wheel options at nominal additional cost.

Modern, Dependable

Willys Six trucks of one-half to one and a half ton capacities now available in three wheelbases of 113, 131 and 157 inches.

½-ton chassis (113" wheelbase)

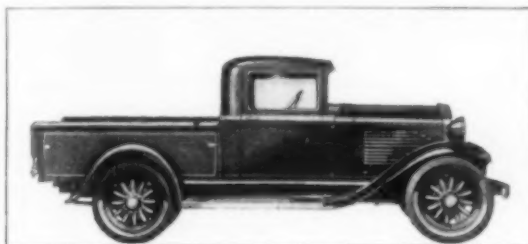
\$395

1½-ton chassis (131" wheelbase)

\$595

L. O. B. Toledo, Ohio

Superior truck value, 65 horsepower six cylinder engine, full force feed lubrication, floating type oil suction, four wheel fully enclosed Duo Servo brakes—cable type. The 1½ ton units have four speed transmission, full floating rear axles. Optional wheel and tire combinations, both single and dual, are available at small additional cost.



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PROPERTIES of the Associated System produced an average of 14.3% more electricity each month in 1930 than the same properties at the beginning of 1928. This compares with 12.4% more for the country as a whole . . . a growth of 15.3% faster.

Four factors account for this better than average growth:

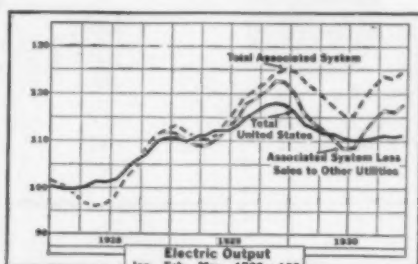
1. Concentration of sales effort on domestic appliances.
2. Low energy rates to encourage use of gas and electricity.
3. Greater per capita buying power in Associated areas.
4. Co-operation with civic groups in attracting new industries to Associated territories.

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The complete suite with many other Myrtle styles are shown in the new Myrtle Booklet just off the press. Write for your copy.



Far West Faces Serious Water Shortage This Year

ESTIMATES just completed on snowfalls throughout the winter show that the Far West faces a water shortage in 1931 that may rival the driest years in its history.

The water supply, in the form of rain and snow, has been depleted from 30% to 70% in different areas. As a result, farm products are in danger of drought; huge irrigation reservoirs are half empty, threaten to dry up before the summer is over, hydro-electric power companies must turn to steam plants for power.

California, in fact, faces a water shortage as serious as that of 1924, the driest year on record.

Making Estimates

Estimates of the year's water supply are made in April when snowfall has ceased, and show the expected flow in later months with modification in accordance with subsequent rainfall and weather conditions.

The water content of snow deposits on Apr. 1 for Owens Valley courses was 70% under normal; 30% under normal in the Merced Basin, and 45% throughout the Sierras.

March was the tenth consecutive month of sub-normal rainfall in California and seriously reduces the prospects of good grain crops. The State Forestry Department is preparing for one of the worst fire seasons in history.

Cooperative conservation of water is urged upon all farmers. The Sacramento-San Joaquin Conference recommends the limiting of acreage which depends upon irrigation.

The Power Drought

During the 1924 drought the power companies were seriously handicapped, were forced to borrow from one another, to press into service old and obsolete steam plants to get sufficient power.

They then took steps to prevent a recurrence by increasing the ratio of their steam plant capacity. Pacific Gas & Electric Co. and Southern California Edison Co., among others, report they are prepared this year for any emergency.

The Intermountain section is expected to suffer the most serious shortage this year. Snowfall last winter was the lowest recorded there in 29 years. Wyoming, Idaho, and Colorado will be the principal sufferers.

Washington, Oregon, and British Columbia will be the least affected. An almost normal water supply is expected in that territory.

The Figures of the Week And What They Mean

Practically no change occurred in the general business situation.... Commodity prices continued to sag.... Stock prices broke through December lows as poor first quarter earnings were reported.... Carloadings and residential building were chief notes of encouragement. Steel and coal continued seasonal decline.... *Business Week* index stands at 78.8% of normal compared with revised figures of 78.1% the preceding week and 93.9% a year ago.

STEEL news has shown but slight change since the middle of March, when an apparent peak in operations was reached for the first quarter. Five consecutive weeks of curtailment in steel ingot production has brought trade estimates of operations to slightly more than 48% of capacity, the level that prevailed at the opening of February. Our adjusted index which makes allowance for the seasonal decline in operations characteristic of April has moved slightly down-

ward to 65% of normal after remaining at 66% for three weeks. With the Steel Corp. operating at 50% of capacity for the first quarter of the year, it was not unexpected that earnings should have fallen, though it was probably a surprise to find 1915 as the nearest comparable year.

Construction Supports Steel

Building and road construction demands remain the chief supports of the industry, though actual orders lag behind estimated requirements. Fabricated steel awards fell to 13,000 tons, according to *Iron Age*, the least for any week since January, while prospective demand based on projects indicates a need for 103,000 tons. Inquiries reported since January involve twice the tonnage of 1930 and 1929.

April construction contracts are not likely to equal the March total, as the principal group—public works and utilities—shows a tendency to sag. This slowing up in construction, coupled with a similar hesitation in automotive de-

mand, has resulted in declining operating rates for the steel industry. To date this has been no greater than seasonally expected.

Tin mill operations remain relatively high, though the decrease of the preceding week indicates a contraction earlier than usual in this branch. Tin plate shipments for 1931 have been only 5% below those of 1930. Pipe line projects offer encouragement, but actual orders are slow in being placed.

A little rail tonnage was added during the week, but production is being gradually curtailed. Class I roads had only 7,516 new freight cars and 86 locomotives on order Apr. 1 this year compared with 37,117 and 442 respectively a year ago, while new freight cars put into service during the first quarter of 1931 totaled 3,855 against 24,798 in 1930 for the comparable period, while new locomotives installed totaled 34 against 189 a year ago.

Building Contracts

Building contracts for the period Apr. 1-22 totaled \$238,004,100 in the 37 states, according to F. W. Dodge, which on a daily average basis represents a 12% decline from March. This indicates a slowing up of construction from the first two weeks, when the daily

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY

Production

	Latest Week	Preceding Week	Year Ago	Average 1926-1930
Steel Ingot Operation (% of capacity).....	48	49	77	87
Building contracts (F. W. Dodge, 4-week daily average in thousands)...	\$12,992	\$13,164	\$17,659	\$22,710
Bituminous Coal (daily average, 1,000 tons).....	1,052	1,131	1,351	1,402
Electric Power (millions K.W.H.).....	1,647	1,633	1,699	1,490

Trade

	Latest Week	Preceding Week	Year Ago	Average 1926-1930
Total Carloadings (daily average, 1,000 cars).....	127	123	149	159
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	90	86	105	107
Check Payments (outside N. Y. City, millions).....	\$4,680	\$4,706	\$5,282	\$5,617
Money in Circulation (daily average, millions).....	\$4,645	\$4,648	\$4,500	\$4,721

Prices (Average for the Week)

	Latest Week	Preceding Week	Year Ago	Average 1926-1930
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$.73	\$.74	\$.98	\$ 1.31
Cotton (middling, New York, lb.).....	\$ 1.00	\$ 1.02	\$ 1.63	\$ 1.82
Iron and Steel (STEEL composite, ton).....	\$31.49	\$31.51	\$34.28	\$36.39
Copper (electrolytic, f.o.b. refinery, lb.).....	\$.093	\$.093	\$.138	\$.144
All commodities (Fisher's Index, 1926=100).....	74.0	74.6	90.2	95.7

Finance

	Latest Week	Preceding Week	Year Ago	Average 1926-1930
Total Federal Reserve Credit Outstanding (daily average, millions).....	\$933	\$946	\$1,054	\$1,205
Loans, Investments, Federal Reserve reporting member banks (millions).....	\$22,987	\$23,051	\$22,746	\$21,266
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$8,001	\$8,064	\$8,629	\$8,747
Security Loans, Federal Reserve reporting member banks (millions).....	\$7,138	\$7,194	\$8,326	\$6,806
Broker's Loans, N.Y. Federal Reserve reporting member banks (millions).....	\$1,730	\$1,844	\$4,274	\$3,887
Stock Prices (average 100 stocks, Herald-Tribune).....	\$125.78	\$129.14	\$177.28	\$150.53
Bond Prices (Dow, Jones, average 40 bonds).....	\$95.26	\$95.62	\$94.86	\$96.27
Interest Rates—Call Loans (daily average, renewal).....	1 5/8%	1 5/8%	4 0/8%	4 9/8%
Interest Rates—Prime Commercial Paper (4-6 months).....	2 1/2-2 3/8%	2 1/2-2 3/8%	3 1/2-4%	4 6/8%
Business Failures (Dun, number).....	612	563	547	463

*Preliminary

†Revised

average was only 9% behind March. Though the month is not closed, it seems unlikely that the last seven days will bring contracts to the total of \$369,981,300 reported in March. Our adjusted index for the week of Apr. 18 declined to 61% of normal compared with 63% and 70% the preceding two weeks. The index for the present week has been estimated for the composite index.

The most cheerful aspect of the construction figures is the strength displayed by the residential group. With a total of \$64,712,800 it now forms 27% of all contracts awarded thus far in April. On a daily average basis residential awards are 12% behind March compared with 18% the first two weeks. In the New York metropolitan district, residential awards were the most important group in volume, forming 41% of the total, and almost equal to the entire month of April, 1930.

Public works and utilities declined to 41% of the total when awards reached \$96,298,800. This indicates a 13% lag on a daily basis compared with March as against 3% the first half of April. Non-residential contracts remained practically the same proportion of the total at the end of three weeks as at the end of the first half of April, with a total of \$76,992,500.

Bituminous Coal Off

Soft coal production declined 7% during the week of Apr. 18, reaching a daily average output not equaled in the past seven years. Our adjusted index declined more than seasonally anticipated to 63% of normal compared with 65% the preceding week. March output was somewhat greater than February, though most years show a decline. The unseasonably mild weather of February reduced demand to exceptionally low levels, while March showed more nor-

mal temperatures. The month continued to reflect the general depression, however, the daily average output being 5% below a year ago and the lowest of any month since July, 1924.

Anthracite production has been rising in recent weeks, and has exceeded comparable weeks of 1930.

Electric Power Production

Electric power production showed an insignificant rise in the week of Apr. 25, causing our adjusted index to move to 89% of normal compared with 88% and 89% the preceding two weeks. The movement of this series has shown but little change since January, indicating that the decline in the actual weekly figures has been in line with seasonal expectations.

Carloadings made a favorable showing during the week of Apr. 18, increasing 22,068 cars over the preceding week. The largest portion of this increase came from the miscellaneous freight group used in our index in combination with the less-than-carlot loadings. The adjusted index of these two groups rose sharply to 79% of normal against 76% the preceding week. This represents the peak of the year to date. Total loadings now show less of a spread from a year ago than was shown in March and February, though the week's total is still the lowest for the week since the depression year of 1922. March earnings of the first 71 roads to report indicate a 24% decline compared with a year ago against a 52% spread in February.

Bank debits increased 10% during the week in New York City but declined only fractionally in the 140 cities outside. This decrease, being less than expected, caused a sharp rise in our adjusted index from 82% of normal to 86%. In the 131 cities outside of the

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

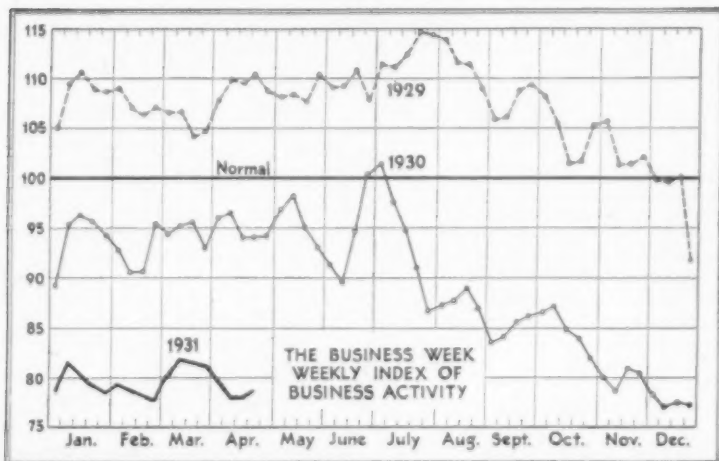
financial centers a 3% decline in check payments was reported for the week. The decrease from a year ago has fallen to 14% compared with 20-25% in recent weeks, reflecting the downward turn of the stock market and general business in the spring of 1930.

Money in circulation has remained practically unchanged for the last three weeks instead of showing the customary month-end decline. Our index, adjusted for the decrease in living costs as reflected in retail prices, continues at the high level of 113% of normal.

Commodity Prices

Commodity prices reflected considerable weakness, particularly in the metal markets. Copper broke through the 9½¢ level upon offering of a moderate tonnage. Reduction in the export price in line with the domestic level brought a good volume of tonnage. Zinc was offered at a new low of 3.35¢ with selling pressure in evidence. Production is still excessive. Lead also fell 35 points in the week to 4¢, in the hopes that demand would be stimulated. Tin approached its 1902 low again. Steel scrap, pig iron, rubber, cattle and hogs, gasoline, cotton, and wheat prices persist in weakening. The recent breaks on the stock market offer no encouragement.

Commercial loans continue their sharp declines as banks turn to investments in government and other securities with their funds. Due to the sharp fall in prices, our adjusted index of loans moved upward to 110% of normal against 109% the preceding week. The Boston district reported the greatest decline in commercial loans for the week.



Trends of the Markets

In Money, Stocks, Bonds

The Reserve system reduced short-term money rates a little more, but did not make the expected cut in the New York discount rate. . . . Weakness in bonds is now so serious as virtually to stop new issues. . . . Stocks fell under a new series of depressing factors.

Reserve Cuts Bill Rate; Discount Unchanged

THE money market's expectation of a New York Federal Reserve discount rate cut was disappointed this week, as the system continued its over-cautious policy. In New York City there was little demand for funds; outside, a slight demand of the type that banks are willing to meet.

Outstanding development of the week was another $\frac{1}{8}\%$ cut in the Federal Reserve buying rate on bankers' acceptances, forcing dealers also to cut rates again by the same amount. The rate for bills to 90 days maturity now is $1\frac{3}{8}\%$, matching the low point reached earlier in the year. This low rate indicated a reduction in the discount rate, and expectation of such action is not quieted by its failure to come this week. The cut, if it occurs, will be of little direct importance, due to the low amount which the banks are borrowing; but it probably will bring down other rates, which will be important.

The acceptance rate cut seems to have

made the difference between rates here and abroad sufficient to start funds flowing across the Atlantic, which may be increased as a result of the withdrawal of British funds following announcement of Snowden's budget, showing no increase in taxation.

The large reduction in brokers' loans on the market decline freed considerable funds in New York. This total was supplemented by arrival from France of gold shipped last week and by further acceptance purchases by the Federal Reserve. The rise in currency in circulation and increased Reserve requirements did not offset the increase, and banks bought more securities, mostly governments.

Outside of New York the demand for funds exceeded the \$17 millions withdrawn from the call market and the decline in Reserve requirements. The result was an increase in member bank borrowings from the Reserve system.

The apparent near completion of bonus loans and the consequent slowing down of the rate at which new government short-term securities are coming into the market are important.

Stocks Drop Under Weight Of Week's Bad News

THE slight technical signs of stock price stabilization sighted last week were wiped out by a deluge of unfavorable developments this week,

which carried prices considerably further down into new low territory for the depression. Industrial stocks suffered worst, rails next, and utilities least.

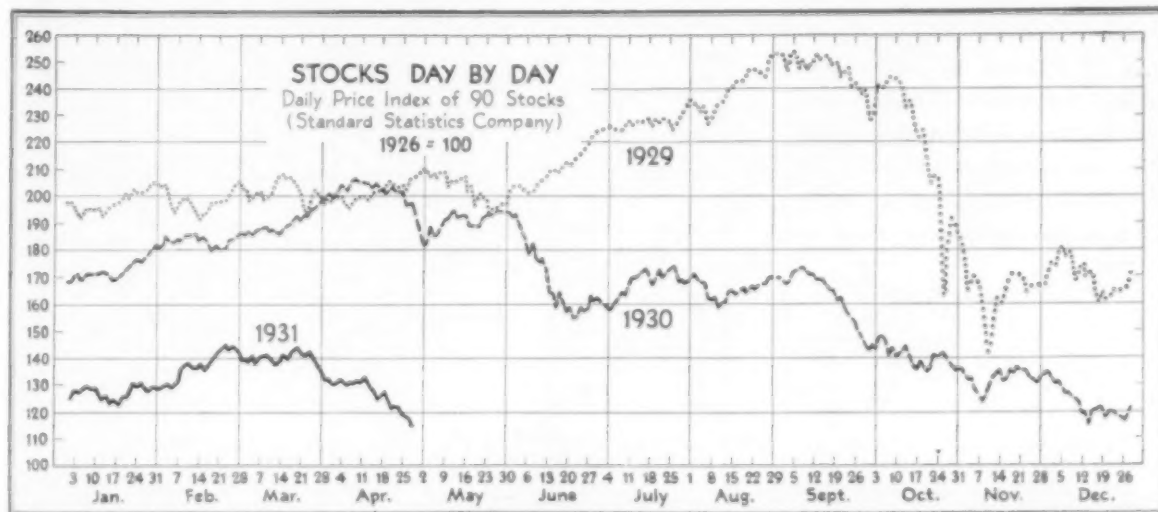
Failure of a large stock exchange house was the first push, followed by failure of a smaller one. Rumors of additional difficulties are prevalent. U. S. Steel earnings were markedly worse than the Street expected, though Steel declared its dividend unchanged. Several other earnings reports were disappointing, while such important corporations as Illinois Central, Jones & Laughlin, Inland, and Commonwealth & Southern cut dividends. Bond market observers were discouraged at weakness there. Bear and forced selling supplemented genuine investment selling resulting from discouragement.

These factors completely overbalanced the effect of easier money, some investment buying attracted by the low prices, and the reorganization of the Eaton companies—regarded as outstandingly favorable occurrences of the week.

Decline Means Hardship

The widespread and long decline means many things. Probably most important is the discouragement to business men in financial centers, and especially New York—this week a citadel of gloom. Prices lower than any in the depression to date mean, too, that many individuals and many firms which have thus far avoided trouble, are in difficult financial straits. Incidence of these 2 facts, quite immeasurable, makes estimates of the market's future course most difficult.

Heavy investment buying will occur at some level, no one knows where. The



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You will find the salient features of the week's news of business abroad in *The Business Week*. ¶ This publication maintains its own foreign bureau and a corps of salaried observers and correspondents in the principal foreign capitals and strategic business centers. ¶ Flashed by radio and cable, carefully checked and edited, these foreign despatches represent a costly but notable and characteristic contribution to the needs of busy business executives.

THE BUSINESS WEEK

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sharp rally may have signified it, may have been a purely technical event. Underlying factors remaining unchanged, a sufficient testing period must elapse before definite conclusions can be reached.

Stock prices are now being readjusted as optimism regarding business is again found unjustified. This realization of actual conditions is perhaps a little belated and is a product of hindsight, but coupled with it are fears of readjustments yet to come.

Bond Market Defers Hopes of Financing

BONDS declined further in an enfeebled market this week, many averages of leading issues reaching new lows for the year and nearing the extreme lows reached last December. The so-called "second grade" or non-legal issues suffered worse than the better ones, a natural occurrence.

Group action as shown by the chart on this page reveals industrial bonds at new low levels, below December resistance points. Foreign bonds declined very sharply on the weakness of South American and Polish issues and are near their lows. So are rails. Utilities lost a little, but remain the strongest corporate group. U. S. governments are soaring nearly to new highs.

Developments demonstrate again the recent tendency of the bond market to

follow the stock market's course during a period of extremes, the parallel being even closer due to the number of convertible issues in the corporate group. When security holders become unusually depressed they differentiate but little between stocks and bonds, selling both.

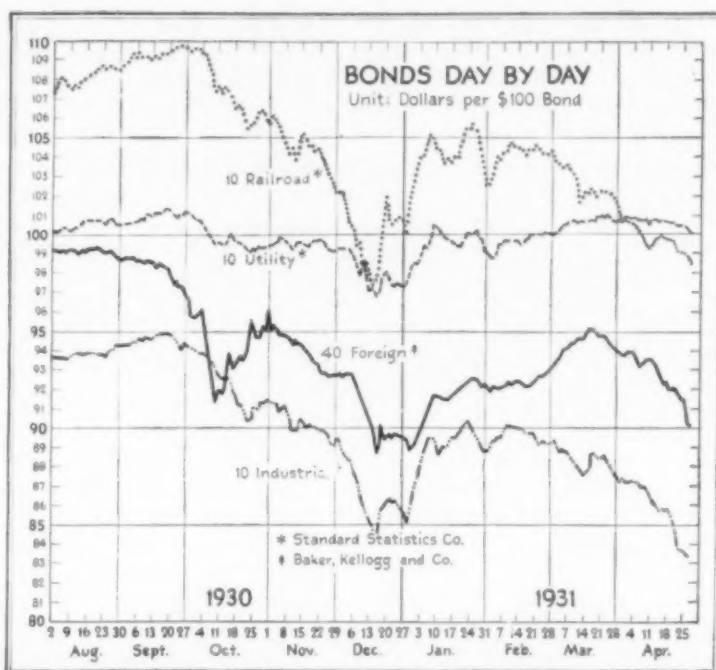
The approach to new lows in the bond market is decidedly different from the near demoralization which marked the lows of December. The drop has been much less precipitate than then.

Causes for the further declines are to be found, just as in the stock market, in the continued pressure, with slight variations, of long-standing difficulties. Low earnings, even endangering fixed charges in some cases, depress bond holders. Unsettled, fear of stability abroad, pull down the foreigners.

Low prices and depressed conditions held new borrowings down to nearly negligible totals. Less than \$10 millions of new securities were brought out.

Bonds Hurt Business

The weakness in bonds continues to be in many respects much more grave than the periodic sinking spells in stocks. Business can't finance itself through bonds in the present market. That retards recovery. Still easier money this week is a factor that should help bonds, but the continuing causes of disturbance and discouragement overbalance this source of strength. The whole development raises anew the question whether low money rates actually represent a really large supply of funds.



Wide Reading

WHO WANTS MY MONEY? Frances Taylor. *Atlantic*, May. For all their organization and merchandising plans, the typical department store creates a certain sales resistance. An indictment quite general, which the stores refuse to accept.

OUR SICK INDUSTRIES. Georges F. Doriot. *Yale Review*, April. If we are to avoid falling into future depressions, we must master conditions and events, think before acting, plan individually.

PARTIES, POLITICS, AND BUSINESS. Walter W. Head. *Review of Reviews*, April. It is time for business men to quit signing proxies for political representation.

"QUEER IDEAS ABOUT BUSINESS." Daniel Robert Maué. *System*, May. Intimate sketch of J. C. Penney—his career as a chain store organizer.

THE WAR DEBTS. James Truslow Adams. *Forum*, April. Merchants would benefit, taxpayers lose, by cancellation. The better way is to remove or lower tariff walls so that Europe may pay her debts in merchandise.

RETAIL DEALERS AS CREDIT RISKS. Roy W. Johnson. *American Bankers Association Journal*, April. Recent developments in the automotive industry indicate new recognition that problems of distribution are not the sole responsibility of the dealers. Manufacturers cooperate to help distributors and gain support of banks.

IRON ORE—MAKING AND REMAKING THE MAP OF STEEL. *Fortune*, May. The story of steel in the United States—from the fragments which bankers and steelmen are now fitting together.

THOSE MIRACLE-WORKING ELECTRONS. Keith Henney. *World's Work*, April. The photo tube and the vacuum tube and some of the wonders they are working for industry.

THE NEXT FIFTY YEARS. H. L. Mencken. *American Mercury*, April. No traffic jams, artificially cooled houses, no street noises, no prohibition. Imagined improvements, but sound enough to warrant reading by executives who must anticipate future trends.

TEXAS TO MARKET PART OF ITS NATURAL GAS IN ILLINOIS. Frank J. G. Duck. *Gas Age-Record*, Apr. 25. New 1000-mile Amarillo-Chicago line to deliver 175,000,000 cu.ft. and will require 75,000 compressor horsepower.

WHAT ARE THE QUALIFICATIONS OF AN EXPORT ADVERTISING MANAGER? R. C. Lyman. *Export Advertiser*, April. For the executive whose foreign sales total from 10% to 25% of total business and who needs more effective export advertising advice than he can afford individually.

REPORTS—SURVEYS

MANUAL OF THE TEXTILE INDUSTRY OF CANADA, 1931. Canadian Textile Journal Publishing Co., Ltd., Montreal, 190 pp. Survey of all branches of the industry, directory of textile manufacturing industries in Canada.

AUSTRALIA AS A MARKET FOR AMERICAN GOODS IN 1931. Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, 38 pp., 10 cents.



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THE BUSINESS WEEK

The Journal of Business News and Interpretation

May 6, 1931

Speaking of Operations—

WAGE cuts threaten to become general. From now on it will be a terrific struggle for business to resist them—even for big business. As a form of competition wage cutting is a kind of throat-cutting, except that you cut your own as well as the other fellow's. Its cumulative effect in the many small concerns in each industry ultimately overcomes the convictions, good sense, or resistance of the strong. But before American business saws clean through the limb on which it has been sitting, there are a few things to be said quite plainly about this major surgical operation.

It is of course a defeat for modern business management, defeat by superior forces. These are not, as the president of the American Bankers' Association has said, "impersonal economic forces." They are very human forces—the inherent weaknesses of business management on the one hand, the dominant power of tradition, inertia, wrong-thinking among the men who control our credit system on the other. It is an admission of the inability of the one to master our industrial mechanism, of the unwillingness of the other to make our monetary institutions subservient to the public interest.

We can sincerely sympathize with those business men who succumb to these superior forces, under protest, but we have little patience with those business "leaders" who publicly hedge and qualify their sincere principles for expediency, or those research agencies which justify the abandonment of principles by misinterpretation of the relation between the cost of living and real wages. The cost of living means nothing any more, and it has never had any necessary relation to wages. Real wages are determined only by the abundance of capital and the efficiency of management. The purchasing power of employed workers always increases and

should increase during depression. This is one of the factors of recovery because it helps offset the lost purchasing power of the unemployed.

When we cut wages we should not kid ourselves or others about what we are doing. The individual concern may do it to secure a temporary competitive advantage over others; to offset the drag upon costs due to slack management, bad morale, or obsolete machinery; to carry excessive financial charges resulting from extortionate interest rates on fixed debts or from inflated capital structure. There are always "special circumstances" like these, and there is nothing to say about them except that the remedy is illusory. The disease remains when everybody has undergone the operation.

Wage reductions in response to such conditions are not economy. They do not lower, but increase, labor costs. They raise sales costs more than they reduce production costs. They do not bring any proportionate lowering of prices, and in any case lower prices do not stimulate consumption under the conditions of insecurity which accompany wage cuts. They do not help business by stimulating exports, because our prosperity depends largely on the domestic, not the foreign market, and our foreign trade has been built on superior products and low costs, not on cheap labor.

Any concern can be excused for resorting to wage-surgery instead of management-medicine for survival, but to assert that the general lowering of wages which results from this kind of cure is in any respect a benefit to the country, that it is in the slightest degree a remedy for unemployment, or that it in any way promotes recovery from depression is an economic fallacy.

We are quite impartial about this; some bankers and business men may say it and believe it; it is a fallacy just the same.

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